JZ Capital Partners Limited

Annual Report & Accounts

For the year ended 28 February 2011

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The Association of
Investment Companies

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

Corporate Objectives

“To create a portfolio of investments in businesses primarily in the United States, but also in Europe, providing a superior overall return comprised of a current yield and significant capital appreciation.”

Chairman's Statement

Performance

The year ended 28 February 2011 has seen JZCP make substantial progress. It has produced an excellent set of results and provided Shareholders with a total return (share price appreciation and reinvested dividends) of 57%.

Net Asset Value ("NAV") at the year-end stood at US$581 million, or US$8.93 per share. NAV increased by 27% over the period and NAV total return, including the distributions paid during the year of US$14 million or 21.5 cents per share, amounted to 30%. Of the increase in NAV per share, US$0.50 is attributable to net realised investment gains, while US$1.30 was driven by net unrealised gains, particularly from the micro cap portfolio and the listed investments.

Reducing the discount to NAV has long been a priority for JZCP and a further narrowing of the discount to –26% (from –41%) as at 28 February 2011 is further testament to the hands-on effort that we devote to our portfolio.

This solid performance has been supported by a disciplined investment strategy, notably through the new verticals for strategic build-ups in the US and Europe and a steadily improving macro-economic climate. The Company is in good shape with a strong balance sheet and liquidity position.

We have been particularly pleased with both the level of investments and realisations across the micro cap portfolio, which continues to be the main growth driver of the Company.

Portfolio

The financial year saw the portfolio grow to 41 companies across eight industries. In May 2010 we announced that we had outlined five new vertical industries where we have appointed senior, highly experienced industry professionals to drive opportunities and provide hands on support to grow businesses.

In addition to our existing sectors, we see a number of real opportunities to make acquisitions of controlling stakes in these verticals, where we will target high margin, non-capital and non-technology intensive businesses that are scalable.

The verticals include the following highly fragmented industries: testing services, industrial services solutions, sensors solutions, specialty foods, and water treatment. We are excited about the management team we have built around these verticals and look forward to reporting our progress in each.

Acquisitions and investments in the year totalled US$116 million in 12 businesses.

European Micro Cap

In 2010, our Shareholders also approved a plan to invest, over time, up to 20% of the JZCP portfolio in the European micro cap sector. This venture will apply our successful model of employing our proprietary network of intermediaries to deliver a good volume of high quality micro cap opportunities in Europe.

We aim to benefit from our European partners' expertise and network, and to diversify the risk of our portfolio, and benefit from the recovery of the European market.

Realisations

There have been a number of realisations during the period, in particular the sale of Apparel Ventures, one of the Company's legacy investments, and of G&H Wire. In the latter, we realised an IRR of 71% and an 8.4x return on our investment. In total, JZCP realised a total of US$151 million.

Macro-Economic Background

There was stronger growth in the US in 2010 following a weak 2009, which was particularly fragile in the first half. The improved performance was due to a combination of rising employment, low historic interest rates, QE measures, continued tax cuts, improved manufacturing performance, greater corporate earnings, and a more optimistic outlook among businesses and consumers.

The US performed positively with the S&P 500 returning 15.1% and the Wilshire 5000 growing by 17.9%, reflecting the outperformance of small to mid-cap stocks. Stock indices worldwide – excluding those in the US – were up 13.2%, further underlining the relative strength of the US economy.

The portfolio has remained unaffected by the political unrest in the Middle East towards the end of the year. Europe had a difficult 2010, with the sovereign debt crisis showing few signs of abating. However, markets historically perform well in the three years following a recession, so we see opportunities for small to mid cap companies to outperform in Europe.

US M&A activity improved in the final three months of 2010, followed by a slight lull, which appears to be reversing as markets begin to pick up.

Chairman's Statement

Continued

Distributions

The Directors declared and paid an Interim Dividend of 5 cents per share for the six months ended 31 August 2010, as well as paying a Special Dividend in respect of that period of 10 cents per share.

Net cash revenue for the period allows the Board to recommend a Final Dividend of 7.5 cents per share in respect of the year ended 28 February 2011. In addition, revenue that had previously been reported as non-cash which has now been converted to cash allows the Board to declare a second Special Dividend for the year of 2 cents per share.

Therefore, subject to shareholder approval of the proposed Final Dividend, the total distribution for the year will be 24.5 cents per share (15.5 cents for the year ended 28 February 2010). The rate of increase in total distributions cannot necessarily be maintained because the occurrence of circumstances that allow the declaration of Special Dividends is irregular but conditions that could allow further Special distributions are favourable.

Share Buybacks

The Directors continue to consider using the Company's share buy back facility on investment grounds but will maintain its focus on deploying capital in the micro cap sector. The Directors will not consider using the share buy back facility as a short term measure to narrow the discount to NAV.

Incentive Fee

It is the policy of the Directors to provide where appropriate for the capital and income incentive fees to which JZAI becomes entitled under the Advisory Agreement. At 28 February 2011 no provision was taken for the income incentive fee but a provision of US$2.093 million was accrued for the capital incentive fee.

Directors

At the forthcoming Annual General Meeting, Tanja Tibaldi and Patrick Firth will each retire by rotation and will each offer themselves for re-election.

Outlook

We enter into the next twelve months with confidence. We are well positioned to take advantage of further investment and realisation opportunities in the micro cap sector and have a renewed focus on building on the last financial year's momentum and benefitting as the economy continues to emerge from a period of recession.

The Directors are encouraged by the pipeline of high quality potential investments in the US, particularly through the verticals, and also the quality of the existing and prospective investments in Europe.

David Macfarlane
Chairman

6 May 2011

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, and is presently a non-executive Director of three private companies.

Patrick Firth[2]

Mr Firth was appointed to the Board of JZCP in April 2008. He is a Chartered Accountant and a member of The Chartered Institute for Securities and Investment. He is formerly Managing Director of Butterfield Fulcrum Group (Guernsey) Limited and is a Director of a number of listed and unlisted investment funds and management companies and is Chairman of the Guernsey Investment Fund Association.

David Allison

Mr Allison was appointed to the Board of JZCP in April 2008. He joined Rothschild's in 1983 after qualifying as a solicitor in 1979 with a firm in London and spending a further four years there. In 1988 he left Rothschild's and joined Carey Olsen and qualified as a Guernsey Advocate. He rejoined Rothschild Trust Guernsey as Managing Director in 1992 and was responsible for running its operations with staff of over 90 and a large corporate and private client base. In 2005, he left Rothschild's to set up Virtus Trust Limited, a fiduciary, corporate services and investment consulting business with two former colleagues. He sits on a number of offshore investment fund Boards as a non-executive Director.

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, and is a non-executive Director of Leucadia National Corporation and the First Eagle Funds.

Tanja Tibaldi

Ms Tibaldi was appointed to the Board of JZCP in April 2008. Tanja 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. Currently, Tanja 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. The audit committee consists of Patrick Firth, David Allison, James Jordan and Tanja Tibaldi. David Macfarlane resigned as a member of the audit committee on 21 June 2010.

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.
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JZ Capital Partners Limited is registered in Guernsey
Number 48761

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Butterfield Fulcrum Group (Guernsey) Limited
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Independent Auditor
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St Peter Port
Guernsey GY1 4AF

UK Transfer and Paying Agent
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(Also provides custodian services to JZ Capital Partners Limited under the terms of a Custody Agreement.)

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Report of the Directors

The Directors present their annual report together with the audited financial statements of JZ Capital Partners Limited (the "Company") for the year ended 28 February 2011.

Principal Activities

JZ Capital Partners is a closed-ended investment company with limited liability which was incorporated in Guernsey on 14 April 2008 under The Companies (Guernsey) Law, 1994. The Company is subject to the Companies (Guernsey) Law, 2008. The Company's Share Capital consists of Ordinary shares and Zero Dividend Preference ("ZDP") shares. The Ordinary and ZDP shares were admitted to the official list of the London Stock Exchange on 27 June 2008.

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

The Company was launched in connection with a scheme of reconstruction and voluntary winding up of JZ Equity Partners Plc ("JZEP") under section 110 of the United Kingdom's Insolvency Act 1986. JZEP's assets, after providing for its liabilities were transferred *in specie* to the Company and the Company issued to JZEP shareholders (other than those who opted against the new scheme) one Ordinary share for each JZEP Ordinary share and ZDP share for each JZEP ZDP share that they held.

On 22 June 2009 a placing and open offer of Ordinary shares resulted in 117,037,749 Ordinary and 110,527,388 Limited Voting Ordinary shares being issued at the price of 42 pence. The Ordinary shares were subsequently consolidated on the basis that all holders of Ordinary shares would hold one Ordinary share for every five Ordinary shares held immediately prior to the share consolidation. New ZDP shares were also issued following the redemption of the old ZDP shares.

Limited Voting Ordinary ("LVO") shares were issued so that certain of the Company's existing shareholders and certain new investors that are Qualifying US Persons* 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 Controlled Foreign Company ("CFC") for US tax purposes. LVO shares are identical to, and rank *pari passu* in all respects with, the new Ordinary shares except that the LVO shares will only carry a limited entitlement to vote in respect of the appointment or removal of Directors and do not carry any entitlement to vote in respect of certain other matters. The LVO shares are not listed and are not admitted to trade on or through the facilities of the London Stock Exchange.

Business Review

The total profit attributable to Ordinary shareholders for the year was US$137,243,000 (year ended 28 February 2010: profit of US$56,959,000). The revenue return for the year was US$30,120,000 (year ended 28 February 2010: US$30,569,000), after charging administrative expenses of US$2,094,000 (year ended 28 February 2010: US$2,398,000) and 100% of the Investment Adviser's fee US$8,667,000 (year ended 28 February 2010: US$7,486,000). The net asset value ("NAV") of the Company at the year end was US$580,788,000 (28 February 2010: US$457,513,000) equal to US$8.93 (28 February 2010: US$7.04) per Ordinary share.

For the year ended 28 February 2011, the Company had US$15,056,000 (year ended 28 February 2010: US$10,047,000) of cash inflows resulting from operating activities.

A review of the Company's activities and performance is detailed in the Chairman's Statement on pages 2 and 3 and the Investment Adviser's Report on pages 9 to 11. The Directors' valuation of the listed and unlisted investments is detailed on pages 13 to 16.

Dividends

An interim dividend of 5.0 cents per Ordinary share (total US$3,259,930) and a special dividend of 10.0 cents (total US$6,501,861) was declared by the Board on 27 October 2010 and paid on 3 December 2010.

A final dividend of 7.5 cents per Ordinary share (total US$4,876,396) was proposed and a special dividend of 2.0 cents (total US$1,300,372) was declared by the Board on 6 May 2011.

Directors

The Directors listed below are all non-executive and have served on the Board throughout the year and were in office at the end of the year and subsequent to the date of report. The biographical details of the Directors are shown on page 4.

David Macfarlane (Chairman)
David Allison
Patrick Firth
James Jordan
Tanja Tibaldi

All Directors are independent at the year end.

*A foreign corporation shall satisfy the "qualified US person ownership test" if, for more than half the days of the corporation's taxable year: (i) it is a CFC, and (ii) more than 50% of the total value of all the outstanding stock of the CFC is owned by one or more "qualified US persons".

Report of the Directors

Continued

Annual General Meeting

The Company's Annual General Meeting is due to be held on 28 June 2011.

Share Capital and Purchase of Own Shares

Details of the Zero Dividend Preference shares and the Ordinary shares can be found in Notes 17 and 18 on pages 45 and 46 respectively. During the year the Company did not buy back any of its own shares.

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

David Allison and Patrick Firth did not hold an interest in Ordinary shares during the year. None of the Directors held any interest in the Zero Dividend Preference shares during the year. There have been no changes in the Directors' interests between 28 February 2011 and the date of this report.

Directors' Statement as to the Disclosure of Information to the Auditors

All the present Directors were members of the Board at the time of approving this report, and each of the Directors confirms that:

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

Independent Auditor

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

	Number of Ordinary shares 1 March 2010	Ordinary shares purchased/ (sold)	Number of Ordinary shares 28 February 2011
David Macfarlane	40,000	–	40,000
James Jordan	30,000	–	30,000
Tanja Tibaldi	2,000	–	2,000
	72,000	–	72,000

Substantial Shareholders

As at 28 February 2011 the Company has been notified in accordance with applicable legislation of the following interests in the Ordinary share capital and Limited Voting Ordinary ("LVO") share capital of the Company:

	Ordinary shares	LVO shares	Total	% of shares
Fairholme Capital Management LLC	2,859,626	9,689,560	12,549,186	19.30%
Edgewater Growth Capital Partners II, LP	3,683,579	4,208,180	7,891,759	12.14%
David W. Zalaznick	3,299,531	2,060,941	5,360,472	8.24%
John W. Jordan	3,276,293	2,060,941	5,337,234	8.21%
Leucadia Financial Corporation	2,837,577	1,689,986	4,527,563	6.96%
National Financial Services	3,613,031	–	3,613,031	5.56%
CIBC Wood Gundy	3,333,333	–	3,333,333	5.13%
Prudential Client HSBC GIS Nominee (UK)	2,902,393	–	2,902,393	4.46%
Massachusetts Mutual Life Insurance Company	2,866,545	–	2,866,545	4.41%
Legal & General	2,846,237	–	2,846,237	4.38%
Deutsche Bank AG London	2,606,723	–	2,606,723	4.01%
Third Avenue Management	2,074,000	–	2,074,000	3.19%

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

Report of the Directors

Continued

Statement of Directors' Responsibilities

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

In preparing Financial Statements the Directors are required to:

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

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

So far as the Directors are aware, there is no relevant information of which the Company's auditors are unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Responsibility Statement of the Directors in Respect of the Financial Statements

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

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

The Directors are also responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008 and the Listing Rules of the London Stock Exchange. They are also responsible for the system of internal controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board of Directors and agreed on behalf of the Board on 6 May 2011.

David Macfarlane	**Patrick Firth**
Chairman	Director

Investment Adviser's Report

Dear Fellow Shareholders,

We are pleased to report that JZCP completed its fiscal year ending 28 February 2011 with strong results, posting year on year growth in Net Asset Value ("NAV") and distributions to shareholders. Our NAV was up 27%, from US$7.04 to US$8.93 per share and our dividends increased 58% from 15.5 cents to 24.5 cents. Combined with our discount narrowing by half and our stock appreciating by 51%, it was an excellent year.

Our NAV growth was driven by (i) two successful realisations, (ii) a significant increase in the value of our listed equities, and (iii) positive performance in our underlying investments. Since the fiscal year end, JZCP's NAV has continued to grow and liquidity has increased with the successful secondary public offering of our position in TAL International Group, Inc., a container leasing company. Our dividend growth was driven by realisations of the portfolio which resulted in cash payment of accrued income.

JZCP's total return to its shareholders for the 2011 fiscal year (stocks appreciation plus dividends reinvested) was approximately 57%. As a result of our realisations, and even after making several new investments, our liquidity continues to be very strong, with 47% of our assets held in either listed securities or cash, after paying record dividends.

David Zalaznick and Jay Jordan

	28/02/2011 US$'000	28/02/2010 US$'000
Investments	**493,756**	394,675
Cash and cash equivalents	**172,267**	134,867
Other net liabilities	**(2,894)**	(630)
Zero Dividend Preference shares	**(82,341)**	(71,399)
Net asset value	**580,788**	457,513
Number of Ordinary shares (000's)	**65,019**	65,019
Net asset value per Ordinary Share	**US$8.93**	US$7.04
Market price per Share[1]	**US$6.64**	US$4.16
NAV to market price discount	**26%**	41%

[1] JZCP's closing share price at 28 February 2011 was GBP4.12 (28 February 2010: GBP2.73). These have been translated using the exchange rate at 28 February 2011 and 2010.

We are pleased to note that our stock performed well over the past year having appreciated 51%. In addition, the discount on our stock narrowed significantly; the discount was 66% at February 2009, 41% at February 2010 and 26% at February 2011. Most significantly, when you net out balance sheet cash and liquid securities, our non-public portfolio of businesses trade at a 42% discount to NAV. To make the value proposition even more compelling, the Board values our private investments at under 7x EBITDA and applies a marketability discount that averages 22%.

Portfolio Summary

Below is a summary of our portfolio by asset category:

	28/02/2011 US$'000	28/02/2010 US$'000	Variance US$'000
Micro cap portfolio	**263,500**	171,903	91,597
Mezzanine investments	**48,499**	85,696	(37,197)
Legacy portfolio	**42,620**	31,845	10,775
Total private investments	**354,619**	289,444	65,175
Listed equity	**105,016**	69,642	35,374
Bank debt	**34,121**	35,589	(1,468)
Cash	**172,267**	134,867	37,400
Total listed investments (including cash)	**311,404**	240,098	71,306
Total investments (including cash)	**666,023**	529,542	136,481
Other current assets	**464**	682	(218)
Total assets	**666,487**	530,224	136,263

Investment Adviser's Report

Continued

Micro Cap Portfolio

We had significant activity in our US and European micro cap portfolio, investing US$146.3 million over the past year (including the two months past the end of the fiscal year).

Significant new investments

- We invested US$4.0 million in NAC Marketing Corp, the holding company for New Vitality, a leading direct-to-consumer vitamin and nutritional supplement business. We anticipate more opportunities to increase our investment in New Vitality as it identifies product line extensions and competitors to acquire in this high growth sector.
- Galson Labs is our first acquisition into our Specialty Testing Group (vertical); Galson is a full service provider in the fast growing industrial hygiene sector. JZCP made a US$5.2 million investment in a combination of debt and equity securities and owns 45% of the business.
- We bought two European businesses for approximately US$13.5 million each. Factor Energia is an energy distribution business in Spain, which resells electricity to smaller and medium size companies, a recently de-regulated part of the electric utility sector. The second acquisition, Xacom, is a telecom products business in Spain and Chile which will soon open in Mexico. Xacom provides large telecom companies a distribution channel by selling products to the end customer (B2B) combined with their expertise in technology and design. In addition, post period we purchased a 38% interest in Docout for US$16 million. Docout is a provider of digitalisation, document processing and storage services to financial institutions, utilities, telecoms and insurance companies in Spain.
- We invested US$22.1 million in Salter Laboratories, a co-investment with Roundtable Capital, a well known healthcare private equity group. Salter is a manufacturer and distributor of disposable products for respiratory and sleep apnea applications. JZCP invested US$6.0 million in a subordinated debt tranche, with the remaining portion representing approximately 19% of the company's stock.
- We made a US$1.9 million investment in Milestone Aviation, (a co-investment with Resolute Fund), as part of JZCP's US$10 million commitment to this helicopter leasing business. JZCP owns 2.8% of Milestone's stock.
- We invested an additional US$7.8 million into Dental Holdings, as part of a refinancing to pay-off bank debt; we plan on refinancing this tranche with third party debt once the company's earnings stabilise but the company has suffered recently so there is plenty of work to do.
- Finally, our first investment in our Specialty Sensor Group (vertical) is Nielsen Kellerman. JZCP invested US$5.8 million debt and equity securities and owns 35% of the business. Nielsen Kellerman makes weather related sensors and measurement instruments.

Significant realisations

- The sale of GHW Holdings, the parent of G&H Wire, earned JZCP a 8.4x multiple of capital invested, and 71% IRR on this investment. We realised more than US$33 million from this transaction, confirming our value proposition of buying a private business in a non-auction transaction, working with management to enhance growth and, ultimately, selling to a strategic buyer.
- We realised US$12.3 million from refinancing our share of Wound Care and SEC Holdings with third party bank debt.
- We also replaced US$10.9 million of JZCP-held subordinated debt in Dantom with a like amount of third party bank debt.

Other significant activities

Due primarily to operating performance increases, we have written up five investments:

Woundcare US$21.7 million
Dantom US$9.5 million
Nationwide US$2.1 million
Accutest US$3.0 million
Sechrist US$5.0 million

We have also written down our investment in Dental Holdings by US$13.5 million, recognising reduced financial performance due to micro-economic management challenges.

The effective multiple at which we are valuing the micro cap portfolio increased from 6.0x trailing EBITDA to 6.9x. Note the average purchase multiple for this portfolio is 6.1x. We continue to leverage prudently, with only 1.1x EBITDA represented by debt senior to JZCP. Finally, we see no issues with any existing bank debt maturities.

Other Sectors

Our **Mezzanine portfolio** has decreased as the capital markets have allowed existing borrowers to tap into less expensive debt markets. Specifically, Roofing Supply Group and PETCO refinanced US$18.2 million and US$19.0 million of our subordinated debt, respectively. The remaining three investments of any size (and value to our balance sheet) are Continental Cement, TTS and Haas TCM;. They continue to pay as agreed with no foreseeable operational or financing issues.

Investment Adviser's Report

Continued

Our **bank debt portfolio** is also decreasing as the facilities we purchased have either paid off at maturity or early, all times at par. The significant reduction comes from the sale of Harrington Holdings. Our US$14.8 million debt tranches were redeemed at par plus accrued interest. The remaining bank debt investments are spread across six entities. The first lien loans are trading in the upper nineties, with one at 92% of par. The significant second lien position we hold has rebounded well; it is in Kinetek, a Resolute sponsored transaction.

Our holdings in **listed equities** are in three companies in which we held significant equity positions, and they subsequently went public. The two largest holdings, TAL International (an international container leasing company) and Safety Insurance (a retail and commercial insurance business), have benefited from the recovering economy; our position in TAL has risen US$23 million, or 92% over the past year, while Safety Insurance rose US$13 million, or 30% over the same time frame.

Post year end, JZCP participated in the secondary sale of shares of TAL International Group, Inc. JZCP sold a total of 314,760 shares with net proceeds of US$10.8 million (after the underwriting discount). At this price, JZCP earned a 29.7% IRR and 4.2x multiple of capital investment in its TAL investment. After the sale, JZCP owns 1.1 million shares of TAL.

Our **legacy investments** have been active as well:

We realised US$23.6 million from the sale of Apparel Ventures. This investment was made 16 years ago. Despite numerous ups and downs in the company's operations, we recovered two times our investment – the benefits of not being forced to sell at any given time.

A Gear Co. realisation of US$4.8 million was the final payment on a residual stock portion we held in one of our legacy transactions.

Significant new investments

On the investment side, JZCP made a US$8.1 million add-on investment in Healthcare Holdings, a power wheelchair company. This investment in new senior subordinated notes is due to a very aggressive bank group insisting on reducing their exposure. All the shareholders including JZCP purchased the entire US$15.7 million bank loan for US$13.3 million, or 85% of face value. It will pay 12.5% cash interest on the notes' face value, creating a 15% return on the discounted amount. Despite a few micro-economic hiccups driven by Medicare changes, the company continues to perform admirably with EBITDA in the US$9 million range.

Other significant activities

One company of note is AC Tech, an aerospace specialty chemicals company which was spun out of Permatex, one of our legacy portfolio companies, when we sold it many years ago. The company has signed several new contracts with large commercial and military aerospace OEM's and suppliers and has good visibility on 2011/12 earnings. Consequently, our Board has increased the valuation of JZCP's 43% stake in AC Tech by US$9.2 million. We look forward to AC Tech realising its potential after some challenging years.

New Opportunities and Current Events

We continue to work with our five investment "verticals", coordinating with our seasoned executives to find appropriate businesses to acquire for our strategic build-up program. We have closed three businesses within these verticals with two profiled earlier in this report. After the February fiscal year end we acquired Nashville Chemical, a water treatment business, the first in our water treatment vertical and have a very active pipeline of future transactions.

The Euro-micro cap business in which JZCP made a €60 million commitment, is very active as well. We have also made three investments in this sector, the most recent being Docout S.L., a document storage and processing company that was bought in April 2011.

Principal Risks and Uncertainties

As a fund, the Company's risks are those associated with its investment portfolio. Given the nature of the portfolio, the principal risks are associated with the financial and operating performance of the underlying investments, along with some market risk associated with the publicly listed equities. The notes on pages 49 to 57 of the financial statements describe the Company's risk management processes.

Outlook

As we continue to realise NAV growth from well performing portfolio companies and realisations, our expectation is for a superior return for our shareholders. We hope to affect the triple play we achieved this year – i.e. growing NAV, increased dividend and narrowing of the discount.

We are very excited about the next few years as momentum on building out our verticals in the US and our micro cap strategy in Europe continues to grow.

As we approach JZCP's and its predecessor JZEP's 25th anniversary (December 2011), we are mindful of your support over many years and do not take it for granted. We would appreciate you contacting us if you have any investment ideas for JZCP, on either side of the Atlantic.

Yours faithfully,

David W. Zalaznick
John W. Jordan II

6 May 2011

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 original effective interest rate.

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

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

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

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

Investment Review

Company	JZCP Book Cost* US$'000	Historical Book Cost** US$'000	Directors Valuation at 28 February 2011 US$'000	Carrying Value Including Accrued Interest 28 February 2011 US$'000	Percentage of Portfolio %
BANK DEBT: FIRST LIEN PORTFOLIO					
EMDEON BUSINESS SERVICES, LLC					
Healthcare service provider	2,533	2,697	2,677	2,677	0.5
INFONXX INC.					
Worldwide provider of directory assistance	2,747	2,880	2,747	2,747	0.6
KINETEK, INC.* **					
Manufacturer of electric motors and gearboxes	4,325	4,719	4,153	4,184	0.8
TOTES ISOTONER CORPORATION					
Leading designer and retailer of cold weather and rain products	492	689	685	693	0.1
WP EVENFLO HOLDINGS, INC.					
Manufacturer of children's products	804	938	877	881	0.2
BANK DEBT: SECOND LIEN PORTFOLIO					
DEKKO TECHNOLOGIES, LLC					
Distributor of electrical sub-components	11,418	12,228	8,985	9,082	1.8
EMDEON BUSINESS SERVICES, LLC					
Healthcare service provider	465	500	496	496	0.1
KINETEK, INC.* **					
Manufacturer of electric motors and gearboxes	13,425	15,000	13,200	13,361	2.7
Total Bank Debt	**36,209**	**39,651**	**33,820**	**34,121**	**6.8**

Investment Review

Continued

Company	JZCP Book Cost* US$'000	Historical Book Cost** US$'000	Directors Valuation at 28 February 2011 US$'000	Carrying Value Including Accrued Interest 28 February 2011 US$'000	Percentage of Portfolio %
MEZZANINE PORTFOLIO					
BRAXTON-BRAGG CORPORATION					
Distributor of equipment to stone fabricators	1,324	1,324	–	–	–
CONTINENTAL CEMENT COMPANY, LLC					
Mines and processes limestone	28,082	28,082	28,082	28,541	5.8
GED HOLDINGS, INC.					
Manufacturer of windows	4,917	11,017	305	327	0.1
HAAS TCM GROUP, INC.					
Speciality chemical distribution	7,584	7,584	7,584	7,758	1.6
M/C COMMUNICATIONS, LLC					
Provision of marketing services to the medical profession	800	800	–	–	–
METPAR INDUSTRIES, INC.					
Manufacturer of restroom partitions	8,491	9,796	712	750	0.1
PETCO ANIMAL SUPPLIES, INC.					
Retailer of pet food, supplies and services	1,636	1,636	1,636	1,636	0.3
ROOFING SUPPLY GROUP, INC.					
Distributor of roofing products	1,426	1,426	851	856	0.2
TTS, LLC					
Provider of technical facilities for mechanical services	8,646	8,486	8,486	8,631	1.8
Total Mezzanine Portfolio	**62,906**	**70,151**	**47,656**	**48,499**	**9.9**

Investment Review

Continued

Company	JZCP Book Cost* US$'000	Historical Book Cost** US$'000	Directors Valuation at 28 February 2011 US$'000	Carrying Value Including Accrued Interest 28 February 2011 US$'000	Percentage of Portfolio %
MICRO CAP PORTFOLIO					
ACCUTEST HOLDINGS, INC. Provision of environmental testing laboratories to the US market	48,219	44,956	42,465	43,268	8.8
BG HOLDINGS, INC. Manufacturer of industrial gears	27,729	27,729	25,253	25,802	5.2
CHINA DENTAL HOLDINGS, INC. Potential acquiror of China-based laboratories	758	758	758	770	0.2
DANTOM SYSTEMS, INC. Outsourcing of debt collection	22,152	24,201	33,652	34,229	6.9
DENTAL SERVICES, INC. Manufacturer of dental services	38,872	34,549	22,942	23,629	4.8
IND SERVICES SOLUTIONS, INC. Potential acquiror of industrial equipment service businesses	1,054	1,054	1,054	1,070	0.2
EUROMICROCAP FUND 2010, LP Acquiror of Europe-based micro cap companies	30,488	30,488	32,517	32,899	6.7
MILESTONE AVIATION GROUP, INC. Finance provider for helicopter and private jet owners	2,879	2,879	2,879	2,921	0.6
NATIONWIDE STUDIOS, INC. Processer of digital photos for preschoolers	17,919	18,904	7,057	7,231	1.5
NEW VITALITY HOLDINGS, INC. Direct-to-consumer provider of nutritional supplements and personal care products	4,243	4,243	4,243	4,299	0.9
SALTER LABS, INC. Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	22,437	22,437	21,183	21,580	4.4
SECHRIST INDUSTRIES, INC.*** Manufacturer of oxygen chambers and other respiratory products	13,181	3,704	13,081	13,129	2.7
SENSORS SOLUTIONS, INC. Acquiror of businesses affiliated with sensor devices or systems. Its first acquisition was Nielsen Kellerman, a producer of weather measurement devices	6,166	6,166	6,166	6,276	1.3
TAP HOLDINGS, INC. Potential acquiror of food product manufacturers or distributors	654	654	654	664	0.1
TESTING SERVICES HOLDINGS Acquiror of laboratory testing businesses. Its first acquisition was Galson Holdings, Inc. a provider of industrial hygiene testing services	4,197	4,197	4,179	4,249	0.8
TRIWATER HOLDINGS CORPORATION Potential acquiror of water treatment businesses	365	365	365	370	0.1
WOUND CARE SOLUTIONS, LLC*** Chronic wound care treatment	37,870	55,697	41,114	41,114	8.3
Total Micro Cap Portfolio	**279,183**	**282,981**	**259,562**	**263,500**	**53.5**

Investment Review

Continued

Company	JZCP Book Cost* US$'000	Historical Book Cost** US$'000	Directors Valuation at 28 February 2011 US$'000	Carrying Value Including Accrued Interest 28 February 2011 US$'000	Percentage of Portfolio %
LEGACY PORTFOLIO					
ADVANCED CHEMISTRY & TECHNOLOGY, INC. Manufacturer of aircraft sealants	4,331	4,331	12,624	12,676	2.6
ETX HOLDINGS, INC. Provider of services to the auto after sales market	534	534	534	543	0.1
HEALTHCARE PRODUCTS HOLDINGS, INC. Designer and manufacturer of motorised vehicles	38,144	49,845	26,323	27,323	5.5
JORDAN INDUSTRIES, INC. Conglomerate	–	21	–	–	–
JZ INTERNATIONAL LLC Fund of European LBO investments	1,719	759	1,720	1,726	0.3
NTT ACQUISITION CORP. Technical education and training	52	946	52	52	–
TIGER INFORMATION SYSTEMS, INC. Provider of temporary staff and computer training	300	400	300	300	0.1
Total Legacy Portfolio	**45,080**	**56,836**	**41,553**	**42,620**	**8.6**
LISTED INVESTMENTS					
EQUITIES					
SAFETY INSURANCE GROUP, INC. Provider of automobile insurance	42,223	6,816	55,681	55,681	11.3
TAL INTERNATIONAL GROUP, INC.*** Lessor of intermodal shipping containers	31,959	13,798	48,110	48,110	9.7
UNIVERSAL TECHNICAL INSTITUTE, INC. Vocational training in the automotive and marine fields	835	15	1,225	1,225	0.2
Total Listed Investments	**75,017**	**20,629**	**105,016**	**105,016**	**21.2**
TOTAL – PORTFOLIO	**498,395**	**470,248**	**487,607**	**493,756**	**100.0**
Zero Dividend Preference shares				(82,341)	
Cash and other net assets				169,373	
Net assets attributable to Ordinary shares				**580,788**	

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

** Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions.

*** Invested in deals with the Resolute Fund – see Note 28.

Mezzanine Portfolio includes common stock with a carrying value of US$2,391,000 and preferred shares with a carrying value of US$156,000 these investments are classified as Investments at fair value through profit or loss.

Legacy Portfolio – Investments not subject to capital incentive fee.

Investment Review Major Holdings

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

Safety Insurance Group, Inc.

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

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

Valuation	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
Common Stock	42,223	6,816	55,681
Year ended 31 December, 2010 Sales			US$612.7m
Year ended 31 December, 2010 Adjusted EBITDA			US$79.0m

TAL International Group, Inc.

Headquarters: Purchase, New York, USA
Sector: Industrial Transportation

TAL International Group, Inc., which is listed on the New York Stock Exchange (NYSE: TAL), is one of the world's largest lessors of intermodal shipping containers with a fleet of over 810,000 standard dry freight, refrigerated and special containers which are serviced out of 216 container depots in 39 countries. The company's customers include shipping companies, distribution companies, manufacturers and transport companies.

Valuation	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
Common Stock	31,959	13,798	48,110
Year ended 31 December, 2010 Sales			US$366.8m
Year ended 31 December, 2010 Adjusted EBITDA			US$298.4m

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP and adjusted for subsequent transactions.
** Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions.

Accutest Holdings, Inc.

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

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

Valuation	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
12.5% Senior Subordinated Notes	11,123	11,123	11,123
10% Preferred Stock	33,596	33,794	31,342
Common Stock	3,500	39	–
	48,219	44,956	42,465
Year ended 31 December, 2010 Sales			US$83.6m
Year ended 31 December, 2010 Adjusted EBITDA			US$17.3m

Wound Care Solutions, LLC

Headquarters: Jacksonville, Florida, USA
Sector: Healthcare Equipment and Services

WCS Clinics provides management services for the development, implementation and operation of Comprehensive Wound Healing Centres. These centres are designed as outpatient departments in hospitals and are committed to the successful treatment and prevention of chronic, non healing wounds.

Valuation	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
13% Preferred Stock	27,243	27,243	24,925
15% Preferred Stock	10,627	28,362	16,189
Common Stock	–	92	–
	37,870	55,697	41,114
Year ended 31 December, 2010 Sales			US$98.6m
Year ended 31 December, 2010 Adjusted EBITDA			US$26.0m

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP and adjusted for subsequent transactions.
** Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions.

Investment Review Major Holdings

Continued

Dantom Systems, Inc.

Headquarters: Novi, Michigan, USA

Sector: Business Services

Dantom Systems, Inc. provides value-added business process outsourcing solutions to the accounts receivables management and revenue cycle management sectors with a focus on healthcare, financial services, and cable and utilities. Dantom Systems, Inc. provides customised data and transaction document processing solutions to over 900 customers, including collection agencies, hospitals, medical practices, cable companies and utilities.

Valuation	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
12.5% Senior Subordinated Notes	16,875	16,875	16,875
8% Preferred Stock	5,277	7,277	7,277
Common Stock	–	49	9,500
	22,152	24,201	33,652
Year ended 31 December, 2010 Sales			US$39.6m
Year ended 31 December, 2010 Adjusted EBITDA			US$12.1m

EuroMicrocap Fund 2010, LP

Headquarters: London, UK

Sector: Acquiror of Europe-based micro cap companies

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

Valuation	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
8% notes	30,488	32,517
	30,488	32,517

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

** Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions.

Investment Review Major Holdings

Continued

Continental Cement Company, LLC

Headquarters: Hannibal, Missouri, USA
Sector: Cement Manufacturer

Continental Cement Company mines, manufactures and processes limestone, clay and other materials into what is commonly known as Portland Cement. The Company operates from one production facility in Hannibal, Missouri, two distribution facilities, a clay mining operation and one sales office. It operates a newly completed state of the art plant in Hannibal, Missouri with 3,500 acres adjacent to the Mississippi River.

Valuation	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
10% Senior Subordinated Notes	28,082	28,082	28,082
Year ended 31 December, 2010 Sales			US$80.1m
Year ended 31 December, 2010 Adjusted EBITDA			US$24.2m

Healthcare Products Holdings, Inc.

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

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

Valuation	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
12.5% Second Lien Notes	13,317	13,317	13,317
12% Subordinated Notes	21,412	25,819	9,591
14% Subordinated Notes	3,415	3,415	3,415
6% Preferred Stock	–	7,056	–
Common stock with an equity interest of 2%	–	238	–
	38,144	49,845	26,323
Year ended 31 December, 2010 Sales			US$91.1m
Year ended 31 December, 2010 Adjusted EBITDA			US$9.0m

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP and adjusted for subsequent transactions.
** Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions.

Investment Review Major Holdings

Continued

BG Holdings, Inc.

Headquarters: Cleveland, Ohio, USA
Sector: Industrial Gears

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

Valuation	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
12.5% Senior Subordinated Notes	5,153	5,153	5,153
Preferred Stock	22,535	22,535	20,100
Common Stock with an equity interest of 38.0%	41	41	–
	27,729	27,729	25,253
Year ended 31 December, 2010 Sales			US$52.6m
Year ended 31 December, 2010 Adjusted EBITDA			US$8.2m

Dental Holdings Corporation

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

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

Valuation	JZCP Book cost* US$'000	Historical Book cost** US$'000	Directors' valuation at 28 February 2011 US$'000
15% Senior Notes	8,573	8,573	8,573
15% Subordinated Notes	264	264	264
12.5% Senior Notes	8,154	8,154	8,154
8% Preferred Stock	9,230	9,979	5,951
10% Preferred Stock	6,851	7,541	–
Common stock with an equity interest of 37.9%	5,800	38	–
	38,872	34,549	22,942
Year ended 31 December, 2010 Sales			US$79.3m
Year ended 31 December, 2010 Adjusted EBITDA			US$5.4m

* Book cost to JZCP equating to transfer value as at 1 July 2008 upon the liquidation of JZEP and adjusted for subsequent transactions.
** Original book cost incurred by JZEP/JZCP adjusted for subsequent transactions.

Directors' Remuneration Report

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

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

Remuneration Policy

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

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

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

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

The remuneration policy set out above is the one applied for the year ended 28 February 2011 and is not expected to change in the foreseeable future.

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

Directors' Term of Appointment

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

In accordance with the Code the Company has established a Nomination Committee. The main role of the committee is to propose candidates for election to the Board of Directors, including the Chairman. The Nomination Committee takes into consideration the Code's rules on independence of the Board in relation to the Company, its senior management and major shareholders. The nomination committee is chaired by David Macfarlane, and each of the other Directors is also a member. The members of the committee are independent of the Investment Adviser. The Nomination Committee which meets at least once a year, has responsibility for considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board.

No Director has a service contract with the Company, nor are any such contracts proposed. The Directors were appointed as non-executive Directors by letters issued in April 2008 which state that their appointment and any subsequent termination or retirement shall be subject to three-months' notice from either party and otherwise to the Articles. Each Director's appointment letter provides that, upon the termination of his/her appointment, that he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from Board meetings for six months or more; (c) unanimous written request of the other Directors; and (d) an ordinary resolution of the Company.

Directors' Remuneration Report

Continued

Remuneration for Qualifying Services

	Fees for services to the Company for the year to 28 February 2011 US$	Fees for services to the Company for the year to 28 February 2010 US$
David Macfarlane (Chairman)*	140,000*	197,500**
David Allison	60,000	60,000
Patrick Firth	60,000	60,000***
James Jordan	60,000	60,000
Tanja Tibaldi	60,000	60,000
	380,000	437,500

The amounts paid to Directors as shown above were for services as non-executive Directors, and no Director received a benefit, taxable in their own hands, during the year.

*The Chairman's annual remuneration was increased in the year from US$85,000 to US$140,000 (effective from 1 March 2010). This increase was to reflect the industry standard remuneration paid to chairmen of similar investment companies.

**Includes an additional fee of US$112,500 within the year to 28 February 2010, for extra work on transitional matters and the financing proposals. This amount has been included in the issue costs of the new Ordinary, Limited Voting and ZDP shares.

***The payment of Patrick Firth's Directors fees, for the period 1 March 2009 to 30 June 2009 amounting to US$30,000, were made to a related party, namely Butterfield Fulcrum Group (Guernsey) Limited.

Corporate Governance

Introduction

JZ Capital Partners Limited, is required from 6 April 2010 to comply with the requirements of the UK Corporate Governance Code ("the Code") as issued by the UK Listing Authority. Prior to this date as a closed-ended Investment company incorporated in Guernsey, the Company was not required to comply with the requirements of the Code. However, the Directors placed a high degree of importance of ensuring that high standards of corporate governance were maintained and voluntarily resolved to comply with the recommendations of the UK Corporate Governance Code, AIC Code and the Transparency Directive to the extent they considered appropriate and practicable. Outlines of the main principles are stated below:

The Board

Corporate Governance of JZCP is monitored by the Board which at the end of the year comprised five Directors, all of whom are non-executive. Biographical details of the Directors are shown on page 4 and their interests in the shares of JZCP are shown in the Report of the Directors on page 7.

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

The Directors meet at least quarterly to direct and supervise the Company's affairs. This includes reviewing the investment strategy, risk profile and performance of the Company and the performance of the Company's functionaries, and to monitor compliance with the Company's objectives. The Directors hold regular meetings to review the Investment Adviser's investment decisions and valuations and to decide if the levels of gearing within the investment portfolio are appropriate. The Directors currently deem it appropriate to review the valuations on a quarterly basis, given current market volatility; usually the valuations would be reviewed semi-annually. The schedule of Directors and Committee meetings is shown on page 25.

Continuing terms of Investment Adviser agreement

In the opinion of the Directors, the continuing appointment of the Investment Adviser on the terms agreed continues to be in the interests of Shareholders. The Board considers the Investment Adviser's investment strategy and performance.

Board balance and independence of Directors

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

Supply of information

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

Directors' training

The Board is provided with information concerning changes to the regulatory or statutory regimes as they may affect the Company, and are offered the opportunity to attend courses or seminars on such changes, or other relevant matters.

Chairman and senior independent Director

The Chairman is a non-executive Director, together with the rest of the Board. There is no executive Director position within the Company. Day-to-day management of the Company's affairs has been delegated to the Administrator. The Board has considered whether a senior independent Director should be appointed. However, as the Board comprises entirely non-executive Directors, the appointment of a senior independent Director for the time being, is not considered necessary. Any of the non-executive Directors are available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Re-election of Directors

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

Corporate Governance

Continued

The letters of Appointment of the non-executive Directors suggest that it is appropriate for Directors to retire and be nominated for re-election after three years of service, subject to the recommendation of the Nominations Committee. The Nominations Committee met on 25 October 2010 and it was agreed that Mr Firth and Ms Tibaldi will put themselves forward for re-election at the 2011 Annual General Meeting. Mr Allison, Mr Jordan and Mr Macfarlane were re-elected to the Board at the 2010 Annual General Meeting. This avoids a situation where the entire Board would stand for re-election at the same time.

Board Committees

In accordance with the UK Corporate Governance Code, the Board has established an Audit Committee and a Nomination Committee, in each case with formally delegated duties and responsibilities within written terms of reference. As the Board has no executive Directors and is comprised solely of non-executive Directors a Remuneration Committee is deemed unnecessary. The process for agreeing the non-executive Directors' fees is set out in the Directors Remuneration Report on pages 22 and 23. The identity of each of the chairmen of the committees referred to above are reviewed on an annual basis. The membership of these committees and their terms of reference are kept under review.

Nomination committee

The Nomination Committee is chaired by David Macfarlane, and each of the other Directors are also members. The members of the committee are independent of the Investment Adviser. The Nomination Committee meets at least once a year, and has responsibility for considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board. The Committee met once during the year ended 28 February 2011.

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

Due to the nature of the Company being a listed investment company investing in private equity with an international shareholder base, the Company needs Directors with a broad range of financial experience. For this reason, Directors believe that it is more appropriate to use their own contacts as a source of suitable candidates as no one external consultancy or advertising source is likely to be in a position to identify suitable candidates.

Audit committee

The Audit Committee is chaired by Patrick Firth. With the exception of David Macfarlane the other Directors are also members. Members of the Committee are independent of the Company's external auditors and the Investment Adviser. David Macfarlane is no longer a member of the Audit Committee (effective 21 June 2010) to ensure that the Company continues to meet the requirements of the Code. The Audit Committee meets at least twice a year and meets the external auditors at least twice a year. The Audit Committee is responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Committee also considers the nature, scope and results of the auditors' work and reviews, and develop and implement policies on the supply of any non-audit services that are to be provided by the external auditors.

The Committee receives and reviews reports from the Investment Adviser and the Company's external auditors relating to the Company's annual report and accounts. The Committee also focuses particularly on compliance with legal requirements, accounting standards and the Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts remain with the Board. The Committee met twice during the year ended 28 February 2011 on 17 May 2010 and 25 October 2010.

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

Board and committee meeting attendance

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

	Number of meetings		
	Board Main	Nominations	Audit
Total number of meetings	**7**	**1**	**2**
David Macfarlane*	4	1	N/A
David Allison	7	1	2
Patrick Firth	7	1	2
James Jordan	5	1	1
Tanja Tibaldi	6	1	1

*Due to adverse weather conditions David Macfarlane was unable to attend two Board meetings.

Corporate Governance

Continued

Going Concern

The Directors consider the Company has adequate financial resources and believe that the Company is well placed to manage its business risks successfully to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on the going concern basis.

Relations with Shareholders

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

The Directors believe that the Annual General Meeting, a meeting for all shareholders, is the key point in the year when the Board of Directors accounts to all shareholders for the performance of the Company. It therefore encourages all shareholders to attend, and all Directors are present unless unusual circumstances prevail.

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

The Company also provides Interim Management statements for the quarterly periods in line with the requirements of the Transparency Directive.

Internal Controls and the Management of Risk

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

Identification and evaluation of business risk

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

Other business risks identified by the Board include the risks associated with the various financial instruments issued by the investee companies such as market price, interest rate changes, foreign currency exchange rates and liquidity are explained more fully in Note 22 on pages 49 to 57.

Control procedures

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

A control report is provided to the Audit Committee incorporating a key risk table that identifies the risks to which the Company is exposed, the controls in place to mitigate them and details of any known internal control concerns. The report is reviewed by the Audit Committee.

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

Corporate Governance

Continued

Internal control and risk management of financial reporting

Overall control environment

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

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

Risk assessment

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

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

Control activities

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

Monitoring

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

Related party transactions

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

Independent Auditors’ Report

Independent Auditors’ Report to the Members of JZ Capital Partners Limited

We have audited the financial statements of JZ Capital Partners Limited for the year ended 28 February 2011 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related Notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Director’s Responsibilities Statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report for the year ended 28 February 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 28 February 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on Which We Are Required to Report by Exception

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

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company’s compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Michael Bane
for and on behalf of
Ernst & Young LLP
Guernsey, Channel Islands

6 May 2011

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.

Financial Statements

Statement of Comprehensive Income

For the year ended 28 February 2011

	Notes	Year ended 28 February 2011 Revenue return US$'000	Capital return US$'000	Total US$'000	Year ended 28 February 2010 Revenue return US$'000	Capital return US$'000	Total US$'000
Income							
Net gain on investments at fair value through profit or loss	5	–	119,628	119,628	–	26,726	26,726
Net (impairments)/write back of impairments on loans and receivables	6	–	(2,019)	(2,019)	–	6,113	6,113
Realised gains on investments held in Escrow accounts		–	2,553	2,553	–	–	–
Net foreign currency exchange (losses)/gains	7	–	(5,008)	(5,008)	–	3,839	3,839
Investment income	8	41,228	–	41,228	37,614	–	37,614
Bank and deposit interest	9	343	–	343	450	–	450
		41,571	115,154	156,725	38,064	36,678	74,742
Expenses							
Investment Adviser's base fee	11	(8,667)	–	(8,667)	(4,866)	(2,620)	(7,486)
Investment Adviser's capital incentive fee	11	–	(2,093)	(2,093)	–	–	–
Administrative expenses	11	(2,094)	–	(2,094)	(2,398)	–	(2,398)
		(10,761)	(2,093)	(12,854)	(7,264)	(2,620)	(9,884)
Operating profit		30,810	113,061	143,871	30,800	34,058	64,858
Finance costs							
Finance costs in respect of Zero Dividend Preference shares	10	–	(5,938)	(5,938)	–	(7,668)	(7,668)
Profit before taxation		30,810	107,123	137,933	30,800	26,390	57,190
Withholding taxes	12	(690)	–	(690)	(231)	–	(231)
Profit for the year		30,120	107,123	137,243	30,569	26,390	56,959
Weighted average number of Ordinary shares in issue during year*	24			65,018,610			51,460,900
Basic and diluted profit per Ordinary share using the weighted average number of Ordinary shares in issue during the year		46.33c	164.76c	211.08c	59.40c	51.28c	110.68c

*Comparative figures for weighted average number of Ordinary shares in issue during the period and basic and diluted gain/(loss) per Ordinary share have been restated to reflect the one share for five consolidation on 22 June 2009 and the bonus element of new shares issued on 22 June 2009.

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

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

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

The accompanying notes on pages 34 to 62 form an integral part of the financial statements.

Statement of Financial Position

As at 28 February 2011

	Notes	28 February 2011 US$'000	28 February 2010 US$'000
Assets			
Investments at fair value through profit or loss	13	447,804	311,436
Investments classified as loans and receivables	13	45,952	83,239
Other receivables	15	464	682
Cash and cash equivalents	14	172,267	134,867
Total assets		666,487	530,224
Liabilities			
Zero Dividend Preference shares	17	82,341	71,399
Other payables	16	3,358	1,312
Total liabilities		85,699	72,711
Equity	20		
Share capital account		149,269	149,269
Distributable reserve		353,528	353,517
Capital reserve		21,933	(85,190)
Revenue reserve		56,058	39,917
Total equity		580,788	457,513
Total liabilities and equity		666,487	530,224
Number of Ordinary shares in issue at year end	18	65,018,610	65,018,610
Net asset value per Ordinary share	25	US$ 8.93	US$7.04

These audited financial statements were approved by the Board of Directors and authorised for issue on 6 May 2011.
They were signed on its behalf by:

David Macfarlane
Chairman

Patrick Firth
Director

The accompanying notes on pages 34 to 62 form an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 28 February 2011

	Notes	Share Capital Account US$'000	Share Premium Account US$'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 2010		149,269	–	353,517	(20,617)	(64,573)	39,917	457,513
Profit for the year		–	–	–	25,316	81,807	30,120	137,243
Dividends paid	31	–	–	–	–	–	(13,979)	(13,979)
Increase in receivables relating to JZ Equity Partners Plc		–	–	11	–	–	–	11
Balance at 28 February 2011		149,269	–	353,528	4,699	17,234	56,058	580,788

Comparative for the year ended 28 February 2010

	Share Capital Account US$'000	Share Premium Account US$'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 2009	–	353,365	–	(5,758)	(105,822)	15,199	256,984
Profit/(loss) for the year	–	–	–	(14,859)	41,249	30,569	56,959
Transfer of share premium to distributable reserve	–	(353,365)	353,365	–	–	–	–
Issue of Ordinary shares	77,008	–	–	–	–	–	77,008
Issue of Limited Voting Ordinary shares	72,261	–	–	–	–	–	72,261
Dividend paid	–	–	–	–	–	(5,851)	(5,851)
Increase in receivables relating to JZ Equity Partners Plc	–	–	152	–	–	–	152
Balance at 28 February 2010	149,269	–	353,517	(20,617)	(64,573)	39,917	457,513

The accompanying notes on pages 34 to 62 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 28 February 2011

	Notes	1 March 2010 to 28 February 2011 US$'000	1 March 2009 to 28 February 2010 US$'000
Operating activities			
Net cash inflow from operating activities	26	15,056	10,047
Cash outflow for purchase of investments		(115,814)	(13,484)
Cash outflow for purchase of US treasury notes		(99,695)	–
Cash inflow from repayment and disposal of investments		150,694	4,999
Cash inflow from sale of US treasury notes		101,133	–
Net cash inflow before financing activities		51,374	1,562
Financing activity			
Proceeds from issue of Ordinary shares		–	156,365
Issue costs relating to the issue of Ordinary shares		(297)	(6,808)
Net proceeds from issue of new Zero Dividend Preference shares		–	16,241
Redemption of old Zero Dividend Preference shares		–	(104,739)
Settlement of forward currency derivative contract		–	(26,923)
Receipt of liquidation funds from JZEP		302	292
Distributions paid to shareholders		(13,979)	(5,851)
Net cash (outflow)/inflow from financing activities		(13,974)	28,577
Increase in cash and cash equivalents		37,400	30,139
Reconciliation of net cash flow to movements in cash and cash equivalents			
Cash and cash equivalents at 1 March		134,867	104,728
Increase in cash and cash equivalents as above		37,400	30,139
Cash and cash equivalents at year end	14	172,267	134,867

The accompanying notes on pages 34 to 62 form an integral part of the financial statements.

Notes to the Financial Statements

1. General Information

JZ Capital Partners Limited (the "Company") is a Guernsey domiciled closed-ended investment company which was incorporated in Guernsey on 14 April 2008 under The Companies (Guernsey) Law, 1994. The Company is now subject to the Companies (Guernsey) Law, 2008. The Company's Share Capital consists of Ordinary shares, Limited Voting Ordinary shares ("LVO") and Zero Dividend Preference ("ZDP") shares. The Ordinary shares and ZDP shares were admitted to the official list of the London Stock Exchange on 1 July 2008. The LVO shares are not listed and are not admitted to trade on or through the facilities of the London Stock Exchange.

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 was launched in connection with a scheme of reconstruction and voluntary winding up of JZ Equity Partners Plc ("JZEP") under section 110 of the Insolvency Act 1986. JZEP's assets, after providing for its liabilities were transferred *in specie* to the Company on 1 July 2008 and the Company issued to JZEP Shareholders (other than those who opted against the new scheme) one Ordinary Share for each JZEP Ordinary Share and one Zero Dividend Preference ("ZDP") Share for each JZEP ZDP Share that they held.

On 22 June 2009 a Placing and open offer of Ordinary shares resulted in 117,037,749 Ordinary and 110,527,388 Limited Voting Ordinary shares being issued at the price of 42 pence. The Ordinary shares were subsequently consolidated on the basis that all holders of Ordinary shares will hold one Ordinary share for every five Ordinary shares held immediately prior to the share consolidation. New ZDP shares were also issued following the redemption of the old ZDP shares (Note 17).

LVO shares were issued so that certain of the Company's existing Shareholders and certain new investors that are Qualifying US Persons 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. Limited Voting Ordinary shares are identical to, and rank *pari passu* in all respects with, the New Ordinary shares except that the Limited Voting Ordinary shares will only carry a limited entitlement to vote in respect of the appointment or removal of Directors and will not carry any entitlement to vote in respect of certain other matters.

In 2009, the Guernsey Financial Services Commission ("GFSC") amended the rules in respect of closed ended funds formerly authorised under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 to bring all such funds under the Protection of Investors (Bailiwick of Guernsey) Law 1987. This amendment required the closed ended funds to elect to be either a registered or authorised fund. The Company elected to remain an authorised fund.

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 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 may also be entitled to a performance-related fee (Note 11). The Company has no ownership interest in the Investment Adviser. The Company is administered by Butterfield Fulcrum Group (Guernsey) Limited (Note 11).

2. Significant Accounting Policies

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

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") and Standing Interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and have been adopted by the European Union, together with applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the London Stock Exchange.

Basis of preparation

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

Going concern

A fundamental principle of the preparation of financial statements in accordance with IFRS is the assumption that an entity will continue in existence as a going concern, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business. In accordance with this requirement, the Company's policy is to prepare the financial statements on a going concern basis unless the Directors intend to liquidate the Company.

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Going concern continued

The Directors consider the Company has adequate financial resources and believe that the Company is well placed to manage its business risks successfully to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on the going concern basis.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Company has adopted the following standards and amendments as of 1 March 2010:

IFRS 2 Share-based Payments – Group cash-settled share-based payment transactions

IFRS 2 has been amended to clarify the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the group pays for those goods or services.

IFRS 3 (Revised 2008) Business Combinations and IAS 27 (Revised 2008) Consolidated and Separate Financial Statements

A change to the scope of IFRS 3 increases the number of transactions to which it must be applied, by including combinations of mutual entities and combinations without consideration (e.g., dual listed shares).

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The final amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

IFRIC Interpretation 17 Distributions of Non-Cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

Functional and presentational currency

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates ("the functional currency"). The functional currency of the Company as determined in accordance with IFRS is the US dollar because this is the currency that best reflects the economic substance of the underlying events and circumstances of the Company. The financial statements are presented in US dollars, as the Company has chosen the US dollar as its presentation currency, and all values were presented to the nearest thousand except where otherwise stated.

Foreign exchange

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

Financial assets and financial liabilities

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

(i) Classification

The Company classifies its investments in listed investments, investments in first and second lien debt securities, other equity opportunities and other investments within its micro cap and legacy portfolios as financial assets at fair value through profit or loss. These financial assets are designated by the Board of Directors as fair value through profit or loss at inception. Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of sale or repurchase in the short term.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's investment strategy as documented in its prospectus. Information about these financial assets and financial liabilities are evaluated by the management of the Company on a fair value basis together with other relevant financial information.

(ii) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2. Significant Accounting Policies continued

Financial assets and financial liabilities continued

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

(ii) Recognition/derecognition continued

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within investment income when the Company's right to receive payment is established.

(iii) Fair value estimation

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

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

Fair value estimation methods for the other classes of financial assets and liabilities at fair value through profit or loss are presented in the valuation policy on page 12.

(b) Loans and receivables

(i) Classification

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

(ii) Recognition/derecognition

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

(iii) Measurement

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

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

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

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

Cash and cash equivalents

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

Other receivables

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

Other payables

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

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Financial assets and financial liabilities continued

(b) Loans and receivables continued

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity are recorded at the amount of proceeds received, net of issue costs.

Zero Dividend Preference ("ZDP") shares

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

Income

Interest income for all interest bearing financial instruments are included on an accruals basis using the effective interest method. Dividend income is recognised when the Company's right to receive payment is established. When there is reasonable doubt that income due to be received will actually be received, such income is not accrued until it is clear that its receipt is probable. Where following an accrual of income, receipt becomes doubtful, the accrual is either fully or partly written off until the reasonable doubt is removed.

Expenses

Investment Adviser's basic fees are allocated to revenue (pre 1 March 2010 the fees were allocated 65% to revenue and 35% to realised capital reserve). This change in policy was to the prior allocation method permitting the distribution of more cash than what was generated from investment income and thus distorting reported net revenue. The incentive fee is attributed to those parts to which it relates (see Note 11). The Company will also provide for a Capital Gains Incentive fee based on net unrealised investments gains.

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

Formation costs

Expenses directly attributable to the set up of the Company or the issue of share capital are charged against capital.

Finance costs

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

Escrow accounts

Where investments are disposed of, the consideration given may include contractual terms requiring that a percentage of the consideration is held in an Escrow account pending resolution of any indemnifiable claims that may arise and as such the value of these Escrow amounts is not immediately known. The Company records gains realised on investments held in Escrow in the Statement of Comprehensive Income following confirmation that any such indemnifiable claims have been resolved and none are expected in the future.

3. Segment Information

The Investment Adviser 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 bank debt
- Portfolio of mezzanine investments
- Portfolio of micro cap investments
- Portfolio of legacy investments
- Portfolio of listed 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 diversified portfolios.

There have been no changes in reportable segments during the course of the year. The segment information provided is also presented to the Board of the Company.

3. Segment Information continued

Segmental operating profit/(loss)

For the year ended 28 February 2011

	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Listed investments US$'000	Total US$'000
Interest revenue	2,907	8,832	20,692	3,005	–	35,436
Dividend revenue	–	–	–	–	4,093	4,093
Other revenue	77	1,198	–	138	–	1,413
Net gain on investments at fair value through profit or loss	17,319	(66)	44,213	21,350	35,374	118,190
Net impairments on loans and receivables	–	(2,019)	–	–	–	(2,019)
Investment Adviser's base fee	(599)	(851)	(4,625)	(748)	(1,843)	(8,667)
Investment Adviser's capital incentive fee*	1,518	2,255	(5,578)	–	–	(1,805)
Total segmental operating profit	21,222	9,349	54,702	23,745	37,624	146,641

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

For the year ended 28 February 2010

	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Listed investments US$'000	Total US$'000
Interest revenue	2,942	12,641	15,709	2,387	–	33,679
Dividend revenue	–	–	–	–	1,908	1,908
Other revenue	1	284	31	1,711	–	2,027
Net gain/(loss) on investments at fair value through profit or loss	6,854	821	(2,337)	(990)	22,378	26,726
Net write back of impairments on loans and receivables	–	6,113	–	–	–	6,113
Investment Adviser's base fee	(675)	(1,625)	(3,261)	(604)	(1,321)	(7,486)
Total segmental operating profit	9,122	18,234	10,142	2,504	22,965	62,967

Notes to the Financial Statements

Continued

3. Segment Information continued

Segmental assets

At 28 February 2011

	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Listed investments US$'000	Total US$'000
Investments at fair value through profit or loss	34,121	2,547	263,500	42,620	105,016	447,804
Investments classified as loans and receivables	–	45,952	–	–	–	45,952
Total segmental assets	34,121	48,499	263,500	42,620	105,016	493,756

At 28 February 2010

	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Listed investments US$'000	Total US$'000
Investments at fair value through profit or loss	35,589	2,457	171,903	31,845	69,642	311,436
Investments classified as loans and receivables	–	83,239	–	–	–	83,239
Total segmental assets	35,589	85,696	171,903	31,845	69,642	394,675

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

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

	28/02/2011 US$'000	28/02/2010 US$'000
Net reportable segment profit	146,641	62,967
Realised gains on investments held in Escrow	2,553	–
Realised gains on Treasury notes	1,438	–
Interest on Treasury notes	286	–
Net foreign exchange (losses)/gains	(5,008)	3,839
Interest on cash	343	450
Expenses not attributable to segments	(2,382)	(2,398)
Operating profit	143,871	64,858

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 net total segment assets and liabilities and total assets and liabilities.

	28/02/2011 US$'000	28/02/2010 US$'000
Total segmental assets	493,756	394,675
Cash and cash equivalents	172,267	134,867
Other receivables and prepayments	464	682
Total assets	666,487	530,224
Total segmental liabilities	–	–
Other payables and accrued expenses	(85,699)	(72,711)
Total liabilities	(85,699)	(72,711)

Notes to the Financial Statements

Continued

3. Segment Information continued

Other information

Geographical segment

For the current year the Directors are of the opinion that the Company is now engaged in two geographical segments, as the Company now has an investment in the European micro cap sector. However due to the current level of investment in this sector (6.7% of total portfolio of investments) no geographical segment analysis is provided. For the current year, a majority of the investments are issued by the companies operating and generating revenue in the United States.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Certain investments are classified as FVTPL, and valued accordingly, as disclosed in Note 2 and the valuation policy on page 12. The key source of estimation uncertainty is on the valuation of unquoted equities and equity-related securities.

Loans and receivables

Certain investments are classified as Loans and Receivables, and valued accordingly, as disclosed in Note 2 and the valuation policy on page 12. The key estimation is the impairment review and the key assumptions as disclosed in Note 2.

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

	Year ended 28/02/2011 US$'000	Year ended 28/02/2010 US$'000
Net unrealised gains in year	90,189	25,958
Proceeds from investments repaid	216,757	3,509
Cost of investments repaid	(181,360)	(2,741)
Cost of investments written off	–	(423)
Unrealised (gains)/losses in prior year now realised	(5,958)	423
Total net realised gains in year	29,439	768
Net gain on investments in year	119,628	26,726

6. Net (Impairments)/Write Back of Impairments on Loans and Receivables

	Year ended 28/02/2011 US$'000	Year ended 28/02/2010 US$'000
Net (impairments)/write back of impairments on loans and receivables	(3,369)	6,113
Proceeds from investments repaid	35,052	85
Cost of investments repaid	(33,702)	(85)
Cost of investments written off	–	(14,553)
Unrealised loss in prior year now realised	–	14,553
Net realised gain	1,350	–
Net (impairments)/write back of impairments on loans and receivables	(2,019)	6,113

7. Net Foreign Currency Exchange (Losses)/Gains

	Year ended 28/02/2011 US$'000	Year ended 28/02/2010 US$'000
Net gains on forward foreign exchange contract	–	18,443
Net losses on foreign currency translations	(5,008)	(14,604)
	(5,008)	3,839

Notes to the Financial Statements

Continued

8. Investment Income

	Year ended 28/02/2011 US$'000	Year ended 28/02/2010 US$'000
Income from investments classified as FVTPL	32,421	24,689
Income from investments classified as loans and receivables	8,807	12,925
	41,228	37,614

Income for the year ended 28 February 2011

	Dividends US$'000	Preference Dividend PIK US$'000	Preference Dividend Cash US$'000	Loan Note PIK US$'000	Loan Note Cash US$'000	Other interest US$'000	Other income US$'000	Total US$'000
1st and 2nd lien bank debt	–	–	–	–	–	2,907	77	2,984
Mezzanine portfolio	–	25	–	433	8,374	–	1,198	10,030
Micro cap portfolio	–	11,757	365	3,485	5,085	–	–	20,692
Legacy portfolio	–	73	–	2,798	134	–	138	3,143
Listed investments	4,093	–	–	–	–	–	–	4,093
Treasury notes	–	–	–	–	–	286	–	286
	4,093	11,855	365	6,716	13,593	3,193	1,413	41,228

Income for the year ended 28 February 2010

	Dividends US$'000	Preference Dividend PIK US$'000	Preference Dividend Cash US$'000	Loan Note PIK US$'000	Loan Note Cash US$'000	Other interest US$'000	Other income US$'000	Total US$'000
1st and 2nd lien bank debt	–	–	–	–	–	2,942	1	2,943
Mezzanine portfolio	–	–	–	6,194	6,447	–	284	12,925
Micro cap portfolio	–	7,425	–	3,442	4,842	–	31	15,740
Legacy portfolio	–	65	–	2,220	102	–	1,711	4,098
Listed investments	1,908	–	–	–	–	–	–	1,908
	1,908	7,490	–	11,856	11,391	2,942	2,027	37,614

Interest on investments is shown net of a US$8,247,000 (year ended 28 February 2010: US$6,543,000) write down calculated in accordance with the Company's accounting and valuation policy.

9. Bank and Deposit Interest

	Year ended 28/02/2011 US$'000	Year ended 28/02/2010 US$'000
Other operating income arising on financial assets not at fair value through profit or loss:		
Interest on short term fixed deposits	–	57
Bank interest	343	393
	343	450

Notes to the Financial Statements

Continued

10. Finance Costs

	Year ended 28/02/2011 US$'000	Year ended 28/02/2010 US$'000
Finance costs arising on financial liabilities measured at amortised costs:		
Finance costs on old Zero Dividend Preference shares redeemed on 22 June 2009	5,938	3,780
Finance costs on new Zero Dividend Preference shares issued on 22 June 2009	–	3,888
	5,938	7,668

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 are described in Note 17.

11. Expenses

	Year ended 28/02/2011 US$'000	Year ended 28/02/2010 US$'000
Investment Adviser's base fee	8,667	7,486
Investment Adviser's capital incentive fee	2,093	–
	10,760	7,486
Administrative expenses:		
Legal and professional fees	556	906
Other expenses	554	579
Directors' remuneration	380	325
Accounting, secretarial and administration fees	400	401
Auditors' remuneration	194	184
Custodian fees	10	3
	2,094	2,398
Total expenses	12,854	9,884

Directors fees

The Chairman is entitled to a fee of US$140,000 (US$85,000 pre 1 March 2010) per annum. Each of the other Directors are entitled to a fee of US$60,000 per annum. For the year ended 28 February 2011 total Directors' fees included in the Statement of Comprehensive Income were US$380,000 (year ended 28 February 2010: US$325,000), of this amount US$63,000 was outstanding at the year end (28 February 2010: US$54,000) 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 2009.

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, payable quarterly in arrears; the agreement provides that payments in advance on account of the base management fee will be made.

The incentive fee has two parts. The first part is calculated by reference to the net investment income of the Company and is equal to up to 20 per cent. of such income, 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 and the preceding 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 that exceeds the hurdle, up to an amount equal to 25 per cent. of the hurdle, and (b) 20 per cent. of the net investment income of the Company above 125 per cent. of the hurdle.

The second part of the incentive fee is calculated by reference to the net realised capital gains of the Company and is equal to: (a) 20 per cent. of (x) the realised capital gains of the Company for each financial year less (y) all realised capital losses on Investments for the year less (b) the excess (for prior years since the Effective Date) (if any) of (i) the aggregate of all previous capital gains incentive fees paid by the Company to the Investment Adviser over (ii) 20 per cent. of (x) all realised capital gains of the Company less (y) all realised capital losses of the Company, payable annually in arrears. The Capital Gains Incentive is payable in arrears within 90 days of the fiscal year end.

Notes to the Financial Statements

Continued

11. Expenses continued

Investment advisory and performance fees continued

The Company will also provide for a Capital Gains Incentive fee based on cumulative net unrealised investments gains.

For the year ended 28 February 2011 total Investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of US$8,667,000 (28 February 2010: US$7,486,000) of this amount US$713,000 (28 February 2010: US$484,000) was outstanding at the year end and is included within Other Payables.

At 28 February 2011 a provision for a capital incentive fee of US$2,093,000 (28 February 2010: US$nil) was included, based on the net realised capital gains of the Company.

At 28 February 2011 no further provision was included for a capital incentive fee (28 February 2010: US$nil) based on net unrealised investment gains.

At 28 February 2011 and 28 February 2010 no provision was made for an income 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

Butterfield Fund Services (Guernsey) Limited was appointed on 12 May 2008 under an Administration, Secretarial and Registrar Agreement. Butterfield Fund Services and Fulcrum Group merged during September 2008 forming Butterfield Fulcrum Group (Guernsey) Limited (the "Administrator").

The Administrator is entitled to a quarterly fee of US$100,000 payable monthly (quarterly pre 1 October 2010) in arrears. Fees payable are subject to an annual fee review. For the year ended 28 February 2011 total expenses payable to the Administrator of US$400,000 (28 February 2010: US$401,000) were included in the Statement of Comprehensive Income, of this amount US$33,000 (28 February 2010: US$67,000) was outstanding at the year end and is included within Other Payables.

Custodian fees

HSBC Bank (USA) N.A (the "Custodian") was appointed on 12 May 2008 under a custodian agreement. The Custodian is entitled to receive an annual fee of US$2,000 and a transaction fee of US$50 per transaction. For the year ended 28 February 2011 total expenses were included in the Statement of Comprehensive Income of US$10,000 (28 February 2010: US$3,000) of which US$1,000 (28 February 2010: US$2,000) was outstanding at the year end and is included within Other Payables.

12. Taxation

For both 2011 and 2010 the Company applied for and was granted exempt status for Guernsey tax purposes under the terms of The Income Tax (Zero 10) (Guernsey) Law, 2007.

For the year ended 28 February 2011 the Company suffered withholding tax of US$690,000 (28 February 2010: US$231,000) on dividend income from listed investments.

13. Investments

Categories of financial instruments

	Listed 28/02/2011 US$'000	Unlisted 28/02/2011 US$'000	Carry value 28/02/2011 US$'000
Fair value through profit or loss ("FVTPL")	105,016	342,788	447,804
Loans and receivables	–	45,952	45,952
	105,016	388,740	493,756

	Listed 28/02/2010 US$'000	Unlisted 28/02/2010 US$'000	Carry value 28/02/2010 US$'000
Fair value through profit or loss ("FVTPL")	69,642	241,794	311,436
Loans and receivables	–	83,239	83,239
	69,642	325,033	394,675

Notes to the Financial Statements

Continued

14. Cash and Cash Equivalents

	28/02/2011 US$'000	28/02/2010 US$'000
Cash at bank	172,267	134,867
	172,267	134,867

Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

15. Other Receivables

	28/02/2011 US$'000	28/02/2010 US$'000
Accrued dividend income on listed investments	405	324
Other prepayments	31	29
Bank and deposit interest	28	38
Due from the liquidation of JZEP	–	291
	464	682

16. Other Payables

	28/02/2011 US$'000	28/02/2010 US$'000
Investment Adviser's fees	2,806	484
Legal fees	255	240
Other expenses	133	92
Auditors' remuneration	68	78
Directors' remuneration	63	54
Fees due to administrator	33	67
Costs relating to issue of shares	–	297
	3,358	1,312

Notes to the Financial Statements

Continued

17. Zero Dividend Preference ("ZDP") Shares

Authorised capital

Unlimited number of ZDP shares of no par value.

	28/02/2011 US$'000	28/02/2010 US$'000
ZDP shares redeemed 22 June 2009		
Amortised cost at 1 March	–	137,858
Finance costs allocated to statement of comprehensive income	–	3,780
Redemption of ZDP shares – cash	–	(104,739)
Redemption of ZDP shares – rollover to new ZDP shares	–	(56,516)
Currency loss on redemption of ZDP shares	–	19,617
Attributable net assets at 28 February	–	–
ZDP shares issued 22 June 2009		
Amortised cost at 1 March	71,399	–
Issued during year – cash received	–	16,590
Issued during year – rollover from old ZDP shares	–	56,516
Issue costs	–	(348)
Finance costs allocated to statement of comprehensive income	5,938	3,888
Unrealised currency gain on translation during the year	5,004	(5,247)
Attributable net assets at 28 February	82,341	71,399
Total number of ZDP shares in issue	20,707,141	20,707,141
Price per ZDP share US$	US$ 3.9892	US$ 3.4633
Price per ZDP share GBP	GBP 2.4549	GBP 2.2731

On 1 July 2008, a total of 45,662,313 ZDP shares were issued on a one-to-one basis to holders of old JZ Equity Partners Plc ZDP shares under the terms of the reconstruction scheme. Of these shares 29,654,417 were redeemed on 22 June 2009 at a price of 215.80 pence and 16,007,896 were rolled over in to new ZDP shares.

Further ZDP shares were issued on 22 June 2009 at a price of 215.80 pence and are designed to provide a pre-determined final capital entitlement of 369.84 pence on 22 June 2016 which ranks behind the Company's creditors but in priority to the capital entitlements of the Ordinary shares. The new ZDP shares issued comprised 16,007,896 shares from the rollover of old ZDP shares and 4,699,245 which were issued for cash. They carry no entitlement to income and the whole of their return will therefore take the form of capital. The capital appreciation of approximately 8% per annum is calculated monthly. In certain circumstances, ZDP shares will carry the right to vote at general meetings of the Company as detailed in the Company's Memorandum of Articles and Association. 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.

18. Share Capital

Authorised capital

Unlimited number of ordinary shares of no par value.

Ordinary shares – Issued capital	28/02/2011 Number of shares	28/02/2011 US$'000	28/02/2010 Number of shares	28/02/2010 US$'000
Balance at 1 March	42,913,132	–	97,527,916	–
Issued during year	–	–	117,037,749	–
Share consolidation 1 for 5	–	–	(171,652,533)	–
Total ordinary shares in issue	42,913,132	–	42,913,132	–

Limited Voting Ordinary shares – Issued capital	28/02/2011 Number of shares	28/02/2011 US$'000	28/02/2010 Number of shares	28/02/2010 US$'000
Balance at 1 March	22,105,478	–	–	–
Issued during year	–	–	110,527,388	–
Share consolidation 1 for 5	–	–	(88,421,910)	–
Total limited voting ordinary shares in issue	22,105,478	–	22,105,478	–
Total shares in issue	65,018,610	–	65,018,610	–

The Company's Ordinary shares were listed on the London Stock Exchange on 1 July 2008 in connection with a scheme of reconstruction and voluntary winding up of JZ Equity Partners Plc ("JZEP") under section 110 of the Insolvency Act 1986 (UK law). JZEP's assets, after providing for its liabilities were transferred *in specie* to the Company and the Company issued to JZEP shareholders (other than those who opted against the new scheme) one Ordinary share for each JZEP Ordinary share that they held.

On 22 June 2009 a Placing and open offer of Ordinary shares resulted in 117,037,749 Ordinary and 110,527,388 Limited Voting Ordinary shares being issued at the price of 42 pence. Both Ordinary and Limited Voting Ordinary shares were subsequently consolidated on the basis all holders of shares will hold one share for every five shares held immediately prior to the share consolidation.

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

The Ordinary shares and LVO 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 and LVO 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 and LVO 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 shall have the rights to receive notice of, to attend and to vote at all general meeting of the Company.

Further issue of shares

Under the Articles, the Directors have the power to issue new shares on a non pre-emptive basis. The Directors have resolved, however, that new shares will not be issued at a discount to the prevailing Net Asset Value per Ordinary share other than where shareholders are permitted to participate in the issue pro rata to their existing holding in the Company and, therefore, will not be disadvantageous to existing shareholders. Future issues of shares will be carried out in accordance with the Listing Rules.

The Directors will consider issuing new shares at not less than the prevailing Net Asset Value per Ordinary share where there is a significant demand for further shares.

Purchase of own shares by the Company

It is the intention of the Directors to seek authority from shareholders on a regular basis to allow the Company to repurchase shares in the market to prevent the emergence of a significant discount on the Company's market price to the Company's Net Asset Value.

Notes to the Financial Statements

Continued

19. Capital Management

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

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

The Company's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
- To achieve consistent returns while safeguarding capital by investing in a diversified portfolio.
- To maintain sufficient liquidity to meet the expenses of the Company, and to meet redemption requests as they arise.
- To maintain sufficient size to make the operation of the Company cost-efficient.

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

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

20. Reserves

Capital raised on formation of the Company

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

Capital raised on issue of new shares

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

Distributable reserves

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

Summary of reserves attributable to Ordinary shareholders

	28/02/2011 US$'000	28/02/2010 US$'000
Distributable reserve	353,528	353,517
Share capital account	149,269	149,269
Capital reserve	21,933	(85,190)
Revenue reserve	56,058	39,917
	580,788	457,513

Distributable reserve

	28/02/2011 US$'000	28/02/2010 US$'000
At 1 March 2010	353,517	–
Transfer from Share Premium	–	353,365
Increase in provisions/receivables relating to JZ Equity Partners Plc	11	152
At 28 February 2011	353,528	353,517

Share capital account

	28/02/2011 US$'000	28/02/2010 US$'000
At 1 March 2010	149,269	–
New Ordinary shares issued in year	–	80,419
Limited Voting shares issued in year	–	75,946
Issue costs	–	(7,096)
At 28 February 2011	149,269	149,269

20. Reserves continued

Share premium account

	28/02/2011 US$'000	28/02/2010 US$'000
At 1 March 2010	–	353,365
Transfer to distributable reserve	–	(353,365)
At 28 February 2011	–	–

Capital reserve

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

	Capital reserve		
	Realised 28/02/2011 US$'000	Unrealised 28/02/2011 US$'000	Total 28/02/2011 US$'000
At 1 March 2010	(20,617)	(64,573)	(85,190)
Net gains on investments	30,789	86,820	117,609
Unrealised net foreign currency exchange losses	–	(5,013)	(5,013)
Realised gains on investments held in Escrow accounts	2,553	–	2,553
Realised net foreign currency exchange losses	5	–	5
Expenses charged to capital	(2,093)	–	(2,093)
Finance costs in respect of Zero Dividend Preference	(5,938)	–	(5,938)
At 28 February 2011	4,699	17,234	21,933

	Capital reserve		
	Realised 28/02/2010 US$'000	Unrealised 28/02/2010 US$'000	Total 28/02/2010 US$'000
At 1 March 2009	(5,758)	(105,822)	(111,580)
Net gains on investments	768	32,071	32,839
Unrealised net foreign currency exchange gains	–	9,178	9,178
Realised net foreign currency exchange losses	(5,339)	–	(5,339)
Expenses charged to capital	(2,620)	–	(2,620)
Finance costs in respect of Zero Dividend Preference	(7,668)	–	(7,668)
At 28 February 2010	(20,617)	(64,573)	(85,190)

Revenue reserve

	28/02/2011 US$'000	28/02/2010 US$'000
At 1 March 2010	39,917	15,199
Profit for the year attributable to revenue	30,120	30,569
Dividend paid	(13,979)	(5,851)
At 28 February 2011	56,058	39,917

Notes to the Financial Statements

Continued

21. Financial Instruments

Categories of financial instruments

	Carrying value 28/02/2011 US$'000	Carrying value 28/02/2010 US$'000
Financial assets		
Fair value through profit or loss ("FVTPL")	447,804	311,436
Loans and receivables	45,952	83,239
Trade receivables	464	682
Cash and cash equivalents	172,267	134,867
Total assets	666,487	530,224
Financial liabilities		
Valued at amortised cost		
Zero Dividend Preference ("ZDP") shares issued 22 June 2009	(82,341)	(71,399)
Trade payables	(3,358)	(1,312)
Total liabilities	(85,699)	(72,711)

Loans and receivables presented above represent mezzanine loans.

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

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the Financial Statements.

22. Financial Risk and Management Objectives and Policies

Introduction

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

Risk management structure

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

Risk mitigation

The Company's prospectus sets out its overall business strategies, its tolerance for risk and its general risk management philosophy.

The Company may use derivatives and other instruments for trading purposes and in connection with its risk management activities.

Market risk

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

Market price risk

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

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

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

22. Financial Risk and Management Objectives and Policies continued

Equity price risk (listed investments)

Equity price risk is the risk of unfavourable changes in the fair values of equity investments as the result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The company has three equity investments valued at US$105,016,000 (28 February 2010: US$69,642,000) which are listed on the NASDAQ, and NYSE.

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

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

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

Markets	Change in indices	Carrying value of listed equities 28/02/2011	Effect on the net assets attributable to shareholders 28/02/2011
		US$'000	US$'000
NYSE	10%	49,335	4,933
NASDAQ	10%	55,681	5,568
		105,016	10,501

Markets	Change in indices	Carrying value of listed equities 28/02/2010	Effect on the net assets attributable to shareholders 28/02/2010
		US$'000	US$'000
NYSE	10%	26,782	2,678
NASDAQ	10%	42,860	4,286
		69,642	6,965

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

	Percentage of equity securities 28/02/2011	28/02/2010
Property and Casualty Insurance	53.0%	61.5%
Education and Training Services	1.2%	2.4%
Rental and Leasing Services	45.8%	36.1%
	100.0%	100.0%

The Company has certain financial instruments (common stock private investments) that are recorded at fair value using valuation techniques such as an 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.

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Equity price risk (unlisted investments)

For the financial instruments whose fair value is estimated using valuation techniques with no market observable inputs, the net unrealised amount recorded in the statement of comprehensive income in the year due to changes in the inputs amounts to gains of US$20,876,000 (28 February 2010: US$1,082,000).

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

Industry	Carrying Value 28/02/2011	Percentage of total common stock of private investments 28/02/2011 US$'000	Change in EBITDA	Effect on the net assets attributable to shareholders 28/02/2011 US$'000
Business Services	9,500	29%	10% /–10%	3,300 / (3,300)
Specialised Equipment Manufacturers	9,400	29%	10% /–10%	1,500 / (1,500)
Chemical	9,400	29%	10% /–10%	1,000 / (1,000)
Pet Supplies	1,636	5%	10% /–10%	N/A
Roofing Supplies	700	2%	10% /–10%	460 / (460)
Industrial Investment Firms	1,101	3%	10% /–10%	N/A
Personal Care Products	400	1%	10% /–10%	N/A
Strategic Workforce Solutions	300	1%	10% /–10%	N/A
Other	359	1%	10% /–10%	N/A
	32,796	100%		6,260 / (6,260)

Industry	Carrying Value 28/02/2010	Percentage of total common stock of private investments 28/02/2010 US$'000	Change in EBITDA	Effect on the net assets attributable to shareholders 28/02/2010 US$'000
Dental Services and Products	11,700	36%	10% /–10%	3,775 / (3,755)
Apparel	12,088	37%	10% /–10%	1,387 / (1,387)
Specialised Equipment Manufacturers	4,400	14%	10% /–10%	1,080 / (1,080)
Pet Supplies	1,636	5%	10% /–10%	N/A
Roofing Supplies	700	2%	10% /–10%	268 / (268)
Industrial Investment Firms	975	3%	10% /–10%	N/A
Chemical	1,107	3%	10% /–10%	N/A
Other	136	0%	10% /–10%	N/A
	32,742	100%		6,510 / (6,510)

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Interest rate risk

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

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

	Fixed rate 28/02/2011 US$'000	Floating rate 28/02/2011 US$'000	Non interest bearing 28/02/2011 US$'000	Total 28/02/2011 US$'000
Investments at fair value through profit or loss	275,871	34,121	137,812	447,804
Loans and receivables	45,952	–	–	45,952
Other receivables and prepayments	–	–	464	464
Cash and cash equivalents	–	172,267	–	172,267
Zero Dividend Preference shares	(82,341)	–	–	(82,341)
Other payables	–	–	(3,358)	(3,358)
Total net assets	239,482	206,388	134,918	580,788

	Fixed rate 28/02/2010 US$'000	Floating rate 28/02/2010 US$'000	Non interest bearing 28/02/2010 US$'000	Total 28/02/2010 US$'000
Investments at fair value through profit or loss	173,463	35,589	102,384	311,436
Loans and receivables	83,239	–	–	83,239
Other receivables and prepayments	–	–	682	682
Cash and cash equivalents	–	134,867	–	134,867
Zero Dividend Preference shares	(71,399)	–	–	(71,399)
Other payables	–	–	(1,312)	(1,312)
Total net assets	185,303	170,456	101,754	457,513

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

Of the money held on deposit, US$172,267,000 (28 February 2010: US$134,687,000) earns interest at variable rates and the income may rise and fall depending on changes to interest rates.

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

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Interest rate risk continued

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

The sensitivity of the profit on interest received on cash and cash equivalents is the effect of the assumed changes in the daily interest rates throughout the year to 28 February 2011 and year ended 28 February 2010, on accounts where cash is held:

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

Change in basis points increase/(decrease)	Sensitivity of interest income increase/(decrease) receivable on cash and cash equivalents		Sensitivity of interest income increase/(decrease) receivable on bank debt	
	28/02/2011 US$'000	28/02/2010 US$'000	28/02/2011 US$'000	28/02/2010 US$'000
+25 / –25	286 / (286)	312 / (265)	150 / (150)	153 / (153)
+100 / –100	1,143 / (343)	1,005 / (461)	599 / (599)	614 / (614)

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

	0–3 months 28/02/2011 US$'000	4–12 months 28/02/2011 US$'000	1–2 years 28/02/2011 US$'000	2–5 years 28/02/2011 US$'000	More than 5 years 28/02/2011 US$'000	No maturity date 28/02/2011 US$'000	Non-interest bearing 28/02/2011 US$'000	Total 28/02/2011 US$'000
Cash and cash equivalents	172,267	–	–	–	–	–	–	172,267
Financial asset at fair value through profit or loss	29,995	1,477	20,340	79,069	33,393	145,718	137,812	447,804
Loans and receivables	–	–	9,653	36,299	–	–	–	45,952
Zero Dividend Preference shares	–	–	–	–	(82,341)	–	–	(82,341)
Other receivables/payables	–	–	–	–	–	–	(2,894)	(2,894)
	202,262	1,477	29,993	115,368	(48,948)	145,718	134,918	580,788

	28/02/2010 US$'000	28/02/2010 US$'000	28/02/2010 US$'000	28/02/2010 US$'000	28/02/2010 US$'000	28/02/2010 US$'000	28/02/2010 US$'000	28/02/2010 US$'000
Cash and cash equivalents	134,867	–	–	–	–	–	–	134,867
Financial asset at fair value through profit or loss	–	13,743	16,464	76,473	–	102,539	102,217	311,436
Loans and receivables	–	3,989	–	79,156	–	94	–	83,239
Zero Dividend Preference shares	–	–	–	–	(71,399)	–	–	(71,399)
Other receivables/payables	–	–	–	–	–	–	(630)	(630)
	134,867	17,732	16,464	155,629	(71,399)	102,633	101,587	457,513

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

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. These credit exposures exist within investment classified as FVTPL, debt investments, loans and receivables and cash & cash equivalents.

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

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Credit risk continued

In the event of any default on the Company's loan investments by a counterparty, the Company will bear a risk of loss of principal and accrued interest of the investment, which could have a material adverse effect on the Company's income and potential to pay dividends to Shareholders and to redeem the ZDP shares.

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

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

	Total 28/02/2011 US$'000	Total 28/02/2010 US$'000
Bank debt	34,121	35,589
Legacy portfolio debt	42,620	17,660
Mezzanine debt	48,499	83,239
Micro cap debt	263,500	155,803
Cash and cash equivalents	172,267	134,867
Accrued dividend income	405	324
	561,412	427,482

A proportion of micro cap and mezzanine debt held does not entitle the Company to interest payment in cash. This interest is capitalised ("PIK") and as a result has substantial credit risk as there is no return to the Company until the loan plus all the interest, is repaid in full. Of the US$8,807,000 (28 February 2010: US$12,640,000) interest receivable on investments classified as loans and receivables US$432,000 (28 February 2010: US$6,193,000) was receivable in the form of PIK Investments. There is no collateral held in respect of Mezzanine debt forming the loans and receivables.

An impairment review is performed by the Investment Adviser on an investment by investment basis every quarter.

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	28/02/2011 US$'000	28/02/2010 US$'000
Balance at beginning of year	(27,241)	(29,035)
Impairment on PIK valued at nil	(81)	(4,319)
(Impairment)/impairment write back recognised	(3,288)	6,133
Balance at year end	(30,610)	(27,241)

A provision of US$880,000 (28 February 2010: US$4,394,000) was offset against total interest of US$9,687,000 (28 February 2010: US$17,034,000) for the year on investments classified as loans and receivables.

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

	Director's valuation			Director's valuation		
	Impaired 28/02/2011 US$'000	Past due 28/02/2011 US$'000	Total 28/02/2011 US$'000	Impaired 28/02/2010 US$'000	Past due 28/02/2010 US$'000	Total 28/02/2010 US$'000
Mezzanine portfolio	1,868	–	1,868	4,250	–	4,250
Total	1,868	–	1,868	4,250	–	4,250

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

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

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Credit risk continued

Bank debt designated at fair value through profit or loss

The Company has also invested in bank debt with investment grade credit ratings as rated by Standard and Poors and Moody's detailed below.

Credit rating – Bank debt First and Second Lien	Percentage of debt instruments 28/02/2011	28/02/2010
BB	8%	–
B+	–	5%
B	3%	10%
B–	12%	–
BB–	–	20%
CCC+	–	35%
CCC	40%	–
No rating	37%	27%
	100%	100%

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

	28/02/2011 US$'000	28/02/2010 US$'000
Healthcare Services and Equipment	25%	27%
Support Services	24%	25%
Financial General	16%	–
Construction and Materials	14%	26%
Industrial Engineering	12%	8%
House, Leisure and Personal Goods	4%	12%
Electronic and Electrical Equipment	4%	2%
Sensors and Instrumentation	1%	–
	100%	100%

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

	Credit ratings Moody's Outlook	Fitch LT Issuer Default Rating	28/02/2011 US$'000	28/02/2010 US$'000
HSBC Bank USA NA	Negative	AA	120,330	134,588
Deutsche Bank	Stable	AA–	51,240	–
Jefferies & Company, Inc.	Stable	BBB	405	–
Butterfield Bank (Guernsey) Limited	Negative	A–	292	279
			172,267	134,867

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

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected.

Many of the Company's investments are private equity, mezzanine loans and other unlisted investments. By their nature, these investments will generally be of a long term and illiquid nature and there may be no readily available market for sale of these investments.

There are partial restrictions on the saleability of the listed investments amounting to US$20,206,000 (28 February 2010: US$10,541,000) (being 42% of TAL International Group, Inc,).

22. Financial Risk and Management Objectives and Policies continued

Liquidity risk continued

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

At 28 February 2011	Less than 1 month US$'000	2–12 months US$'000	1–5 years US$'000	>5 years US$'000	No stated maturity US$'000
Other payables	3,358	–	–	–	–
Zero Dividend Preference shares	–	–	–	124,449	–
	3,358	–	–	124,449	–

At 28 February 2010	Less than 1 month US$'000	2–12 months US$'000	1–5 years US$'000	>5 years US$'000	No stated maturity US$'000
Other payables	1,312	–	–	–	–
Zero Dividend Preference shares	–	–	–	116,683	–
	1,312	–	–	116,683	–

The Company has a capital requirement to pay ZDP shareholders a pre determined final capital entitlement of 365.28 pence on 22 June 2016. As at 28 February 2011 the liability to the ZDP shareholders amounted to US$82,341,000 (28 February 2010: US$71,399,000).

Currency risk

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

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

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

At 28 February 2011	US dollar 28/02/2011 US$'000	Euro 28/02/2011 US$'000	GB Sterling 28/02/2011 US$'000	Total 28/02/2011 US$'000
Assets				
Financial asset at fair value through profit or loss	414,905	32,899	–	447,804
Loans and receivables	45,952	–	–	45,952
Other receivables	434	–	30	464
Cash and cash equivalents	172,164	–	103	172,267
Total assets	633,455	32,899	133	666,487
Liabilities				
Zero Dividend Preference shares	–	–	82,341	82,341
Other payables	3,274	–	84	3,358
Total liabilities	3,274	–	82,425	85,699
Net currency exposure	630,181	32,899	(82,292)	580,788

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Currency risk continued

At 28 February 2010	US dollar 28/02/2010 US$'000	GB Sterling 28/02/2010 US$'000	Total 28/02/2010 US$'000
Assets			
Financial asset at fair value through profit or loss	311,436	–	311,436
Loans and receivables	83,239	–	83,239
Other receivables	368	314	682
Cash and cash equivalents	134,867	–	134,867
Total assets	529,910	314	530,224
Liabilities			
Zero Dividend Preference shares	–	71,399	71,399
Other payables	974	338	1,312
Total liabilities	974	71,737	72,711
Net currency exposure	528,936	(71,423)	457,513

23. Fair Value of Financial Instruments

The Company classify 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.

23. Fair Value of Financial Instruments continued

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

Financial assets at 28 February 2011	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	105,016	–	–	105,016
Legacy portfolio	–	–	42,620	42,620
Bank debt	–	25,039	9,082	34,121
Mezzanine portfolio	–	–	2,547	2,547
Micro cap portfolio	–	–	263,500	263,500
	105,016	25,039	317,749	447,804

Financial assets at 28 February 2010	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	69,642	–	–	69,642
Legacy portfolio	–	–	31,845	31,845
Bank debt	–	23,919	11,670	35,589
Mezzanine portfolio	–	–	2,457	2,457
Micro cap portfolio	–	–	171,903	171,903
	69,642	23,919	217,875	311,436

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

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

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

Notes to the Financial Statements

Continued

23. Fair Value of Financial Instruments continued

Transfers between levels

There were no transfers between the levels of hierarchy of financial assets recognised at fair value within the year ended 28 February 2011 and 28 February 2010.

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

At 28 February 2011	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Total US$'000
At 1 March 2010	11,670	2,457	171,903	31,845	217,875
Purchases	–	131	102,349	13,334	115,814
PIK adjusted for fair value	92	20	13,514	2,557	16,183
Cost of investments repaid or sold	(10,000)	–	(70,054)	(26,705)	(106,759)
Net gains and losses recognised in statement of comprehensive income	7,300	(66)	44,213	21,350	72,797
Movement in accrued interest recognised in statement of comprehensive income	20	5	1,575	239	1,839
At 28 February 2011	9,082	2,547	263,500	42,620	317,749

At 28 February 2010	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Total US$'000
At 1 March 2009	11,900	1,636	158,263	29,180	200,979
Purchases	1,393	–	7,104	2,157	10,654
PIK adjusted for fair value	–	–	10,674	1,498	12,172
Cost of investments repaid or sold	–	–	(1,801)	–	(1,801)
Net gains and losses recognised in statement of comprehensive income	(1,623)	821	(2,337)	(990)	(4,129)
At 28 February 2010	11,670	2,457	171,903	31,845	217,875

The following table details the revenues and net gains included within the Statement of Comprehensive Income for investments classified at level 3 which were still held at the year end.

At 28 February 2011	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Total US$'000
Interest and other revenue	1,283	25	20,692	3,143	25,143
Net gain on investments at fair value through profit or loss	7,300	–	44,213	21,350	72,863
	8,583	25	64,905	24,493	98,006

At 28 February 2010	Bank debt US$'000	Mezzanine portfolio US$'000	Micro cap portfolio US$'000	Legacy portfolio US$'000	Total US$'000
Interest and other revenue	2,942	–	15,709	2,387	21,038
Net gain/(loss) on investments at fair value through profit or loss	(1,623)	821	(2,337)	(1,756)	(4,895)
	1,319	821	13,372	631	16,143

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

Notes to the Financial Statements

Continued

23. Fair Value of Financial Instruments continued

Transfers between levels continued

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$6,260,000 (28 February 2010: US$6,510,000) or increase the fair value by US$6,260,000 (28 February 2010: US$6,510,000).

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

The fair value of the Zero Dividend Preference shares is deemed to be their quoted market price. As at 28 February 2011 the ask price was GBP2.725 (28 February 2010: GBP2.515 per share the total fair value of the ZDP shares was US$91,693,809 (28 February 2010: US$79,346.741) which is US$9,087,250 higher (28 February 2010: US$7,632,010 higher) than the liability recorded in the statement of financial position.

The carrying amounts of loans and receivables are recorded at amortised cost using the effective interest method in the financial statements. The fair value of loans and receivables at 28 February 2011 was US$45,952,000 (28 February 2010: US$83,239,000).

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

24. 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 year ended 28 February 2011 the weighted average number of Ordinary shares (including Limited voting ordinary shares) outstanding during the period was 65,018,610.

The weighted average number for the comparative period ending 28 February 2010 was calculated as follows:

	28/02/2010
Qualifying shares at beginning of the period before the 1 for 5 share consolidation	325,093,053
Qualifying shares at beginning of the period after the 1 for 5 share consolidation and after time apportionment	50,928,276
Effect of the bonus element of the new shares issued	532,624
Weighted average number of Ordinary shares	51,460,900

The weighted average number of Ordinary shares is based on the average number of Ordinary shares in issue during that period. On 22 June 2009 a Placing and Open Offer of Ordinary shares resulted in 117,037,749 Ordinary and 110,527,388 Limited Voting Ordinary shares being issued at the price of 42 pence. The Ordinary shares were subsequently consolidated on the basis all holders of Ordinary shares will hold one Ordinary share for every five Ordinary shares held immediately prior to the share consolidation.

The weighted average number of shares for the period ended 28 February 2010 has been computed assuming the shares in issue for the period 1 March 2009 to 22 June 2009 had also been subject to the 1 for 5 share consolidation and adjusted by a 1.09 adjustment factor in respect of the bonus element of new shares issued*.

*Adjustment factor is calculated using the fair value (47.5 pence) per share at issue date as the numerator and the theoretical ex-right price (43.7 pence) per share as a denominator.

25. Net Asset Value Per Share

The net asset value per Ordinary share of US$8.93 (28 February 2010: US$7.04) is based on the net assets at the year end of US$580,788,000 (28 February 2010: US$457,513,000) and on 65,018,610 (28 February 2010: 65,018,610) Ordinary shares, being the number of Ordinary shares in issue at the year end.

Notes to the Financial Statements

Continued

26. Notes to the Cash Flow Statement

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

	Year ended 28/02/2011 US$'000	Year ended 28/02/2010 US$'000
Profit for the year	137,243	56,959
Increase in other payables	2,286	578
Decrease in receivables relating to operating activities	189	1,195
Net unrealised gains on investments	(86,820)	(32,071)
Net unrealised foreign currency exchange losses/(gains)	4,999	(3,839)
Realised gain on investments – *financing activity*	(30,789)	(768)
Realised loss/(gain) on foreign exchange translation	3	(317)
Interest on investments received as PIK adjusted for increase in accrued interest	(17,993)	(19,358)
Finance costs in respect of Zero Dividend Preference shares	5,938	7,668
Net cash from operating activities	15,056	10,047

Investment income received during the year

	Year ended 28/02/2011 US$'000	Year ended 28/02/2010 US$'000
Interest on investments	17,648	15,633
Dividends from listed investments	3,322	2,705
Interest on short term fixed deposits	1,413	70
Bank interest	352	355
Interest on treasury notes	286	–
Other income	3	2,027
	23,024	20,790

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

27. Commitments and Contingent Liabilities

The Company has no financial commitments or contingent liabilities as at 28 February 2011.

28. Related Party Transactions

The remuneration of the Directors is disclosed in Note 11.

In 2007, JZEP invested US$250,000 in ETX Holdings, Inc. which was a spin off of 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$66,667 has subsequently been invested in ETX Holdings, Inc. During the year ended 28 February 2011 the Company did not receive any income from this investment. At 28 February 2011 the investment was valued at US$534,000 (28 February 2010: US$463,000).

Jay Jordan and David Zalaznick each purchased a further 9,020,099 Ordinary shares and 10,304,708 Limited Voting Ordinary shares on 22 June 2009. These shares were subsequently consolidated at 1 share for every 5. The share acquisition by David Zalaznick and Jay Jordan was approved by the Ordinary Shareholders at the EGM held on 18 June 2009.

In July 2010, JZCP made an initial investment of €11,100,000 in the Euro Microcap Fund 2010 LP ("The Europe Fund"). At 28 February 2011 a total of €23,114,902 had been invested in the Europe Fund by JZCP. The Europe Fund will be managed by JZ International LLC ("JZI"), an affiliate of JZAI, JZCP's investment adviser. JZAI and JZI were each founded by David Zalaznick and Jay Jordan. JZCP has an investment in JZI representing a value of US$1,726,000 at 28 February 2011 (28 February 2010: US$1,690,000).

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. These investments include: Kinetek, Inc.; TAL International Group, Inc.; TTS, Llc and Woundcare Services, Inc. and represent an aggregate value of US$111,216,000 at 28 February 2011 (28 February 2010: US$76,688,000).

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 11.

28. Related Party Transactions continued

During the year ended 28 February 2011, the Company retained Ashurst LLP, a UK based law firm. David Macfarlane was a former Senior Corporate Partner at Ashurst until 2002.

Patrick Firth is a Director of the Company and was formerly (until 30 June 2009) Managing Director of Butterfield Fulcrum Group (Guernsey) Limited. Fees paid by the Company to the Administrator are detailed in Note 11.

29. 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.

30. Contingent Assets

Investments have been disposed of by JZEP and JZCP, of which the consideration given included contractual terms requiring that a percentage was held in an Escrow account pending resolution of any indemnifiable claims that may arise. At 28 February 2011 the Company has assessed that the fair value of these Escrow accounts are nil as it is not reasonably probable that they will be realised by the Company.

As at 28 February 2011, 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	28/02/2011	28/02/2010
	US$'000	US$'000
GHW (G&H Wire)	3,031	–
Recycled Holdings Corporation	1,300	1,300
Apparel Ventures, Inc.	1,039	–
N&B Industries, Inc.	776	776
Gear for Sports	248	–
Lincoln Holdings, Inc.	–	995
	6,394	2,076

31. Dividends Paid and Proposed

In accordance with the Prospectus, it is the Directors' intention to distribute substantially all of the Company's net cash income (after expenses) in the form of dividends paid in US dollars (Shareholders can elect to receive dividends in Sterling).

A second interim dividend, relating to the year ended 28 February 2010, of 6.5 cents per Ordinary share (total US$4,226,210) was declared by the Board on 4 March 2010 and paid on 1 April 2010.

An interim dividend of 5.0 cents per Ordinary share (total US$3,250,930) and a special dividend of 10.0 cents per share (total US$6,501,861) was declared by the Board on 27 October 2010 and paid on 3 December 2010.

A final dividend of 7.5 cents per Ordinary share (total US$4,876,396) was proposed and a special dividend of 2.0 cents (total US$1,300,372) was declared by the Board on 6 May 2011.

32. Subsequent Events

JZCP participated in the secondary sale of shares of TAL International Group, Inc. During April 2011, JZCP sold a total of 314,760 shares with net proceeds of US$10.8 million (after the underwriting discount). At this price, JZCP earned a 29.7% IRR and 4.2x multiple of capital investment in its TAL investment. After the sale, JZCP owns 1.1 million shares of TAL.

A final dividend of 7.5 cents per Ordinary share (total US$4,876,396) was proposed and a special dividend of 2.0 cents (total US$1,300,372) was declared by the Board on 6 May 2011.

Useful Information for Shareholders

Listing

JZCP Ordinary and Zero Dividend Preference shares are listed on the Official List of the Financial Services Authority of the UK, and are admitted to trading on the London Stock Exchanges 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

Annual General Meeting	28 June 2011
Interim report for the six months to 31 August 2011	October 2011

In accordance with the Transparency Directive JZCP will be issuing an Interim Management Statement for the quarters ended 31 May 2010 and 30 November 2010. 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 GC00B2RK0R31/B2RK0R3 and the numbers of the Zero Dividend Preference shares are GC00B40D7X85/B40D7X8.

Share Register Enquiries

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

Nominee Share Code

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

Documents Available for Inspection

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

(a) the Register of Directors' Interests in the share capital of the Company;

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

(c) the terms of appointment of the Directors.

Notice of Annual General Meeting

JZ CAPITAL PARTNERS LIMITED (the "Company")

Registered Number: 48761

Registered Office: 2nd Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3NQ

Notice is hereby given that the Third Annual General Meeting of the Members of JZ Capital Partners Limited will be held at 2nd Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3NQ on Tuesday 28 June 2011 at 12.00 p.m. (BST).

Agenda

1. To consider and receive the Annual Report and Audited Financial Statements for the year ended 28 February 2011.

2. To re-appoint Ernst & Young LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

3. To authorise the Directors to fix the auditors' remuneration.

4. To accept the resignation and consider the re-appointment of Mr. Patrick Firth as a Director of the Company.

5. To accept the resignation and consider the re-appointment of Ms. Tanja Tibaldi as a Director of the Company.

6. To approve the Directors' remuneration report for the year ended 28 February 2011.

7. To approve the payment of the final dividend of 7.5 cents per ordinary share.

8. To approve that the Company be authorised in accordance with the Companies (Guernsey) Law 2008 as amended, to make market acquisitions (as defined in that Law) of its own shares provided that;

   a) the maximum number of shares in each class authorised to be purchased is 14.99 per cent. of each class of the shares of the Company in issue at any time;

   b) the minimum price payable by the Company for each share is 1 pence and the maximum price payable by the Company for each share will not be more than the higher of (i) 105 per cent. of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC No 2213/2003); and

   c) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the general meeting of the Company to be held in 2012 under section 199 of the Law, save that the Company may, prior to such expiry, enter into a contract to purchase shares under such authority and may make a purchase of shares pursuant to any such contract.

BY ORDER OF THE BOARD
for
Butterfield Fulcrum Group (Guernsey) Limited
Company Secretary

6 May 2011

Registered Office:
2nd Floor, Regency Court, Glategny Esplanade
St Peter Port, Guernsey GY1 3NQ

Notice of Annual General Meeting

Continued

Notes

When considering what action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other professional adviser duly authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or otherwise transferred all your shares in JZCP, you are requested to forward this document and the accompanying documents to the buyer or transferee or the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to such buyer or transferee.

Rights to attend and vote

The Company specifies that, in order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 48 hours before the time of the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

In accordance with the Company's Articles of Association, all Ordinary shares will vote together as a class on all matters at the Annual General Meeting.

In respect of resolutions 4 and 5 (concerning the resignation and re-appointment of Directors), the fraction of one vote accorded to each Limited Voting Ordinary Share in respect of any such resolution shall be:

$(((A - B) / 0.5001) - A) / C$

Where: A = the number of Ordinary shares outstanding (excluding Limited Voting Ordinary shares); B = the number of Ordinary shares (excluding Limited Voting Ordinary shares) held by residents of the United States (as used in Rule 3b-4 under the US Exchange Act); and C = the number of Limited Voting Ordinary shares outstanding, in each case at the record date.

Each Limited Voting Ordinary Share may never be given more than one vote per share in respect of any resolution concerning the appointment or removal of Directors in the event that the fraction generated by applying the formula set out above is greater than 1.00.

The holders of the new Zero Dividend Preference shares are not entitled to attend or vote at the Annual General Meeting.

Proxies

A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend and to vote instead of him or her. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to different shares held by the appointor.

If you choose to use the enclosed form of proxy, to be effective, this instrument, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors) must be deposited with the Company's transfer agent, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX, United Kingdom not later than 48 hours before the time of the meeting or adjourned meetings or (in the case of a poll taken more than 48 hours after it is demanded) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box provided the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). To appoint more than one proxy (an) additional proxy form(s) may be obtained by contacting Equiniti Limited, the Company's transfer agent by telephone on 0871 384 2265 or +44 121 415 7047 if calling from outside the United Kingdom (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.") or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see above) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

The appointment of a proxy, by instrument in writing or electronically, will not preclude a member attending and voting in person at the meeting. If no direction is given, the proxy will vote or abstain at his or her discretion. In the event that you elect to give your proxy discretion on how to vote your shares, and you hold five per cent. or more of the relevant class of share, you will be required to complete a TR1 notification in accordance with DTR 5.2.1 (Disposal of Major Voting Interest).

Notes continued

CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which can be viewed at www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available at www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or the amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST person member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Regulations.

Corporate Representatives

Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact our Registrar if you need any further guidance on this.

Nominated Person

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 2 to 5 above does not apply to Nominated Persons. The rights described in such notes can only be exercised by shareholders of the Company.

Limitations of Electronic Addresses

You may not use any electronic address provided in either this Notice of General Meeting or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

Right to ask questions

Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

The address of the website where certain meeting information is available

A copy of this notice can be found on the Company's website at www.jzcp.com.

JZ Capital Partners Limited
(the "Company")

Registered Number: 48761

Registered Office:
2nd Floor Regency Court Glategny Esplanade St Peter Port Guernsey GY1 3NQ

Form of Proxy

For use at the Third Annual General Meeting of the Company to be held at its Registered Office on Tuesday 28 June 2011 at 12.00 p.m. (BST).

I/We (BLOCK CAPITALS PLEASE)

of

being a member/members of the above named Company **hereby appoint** the Chairman of the Meeting or failing him

Number of shares authorised:

as my/our proxy to vote for me/us and on my/our behalf at the Third Annual General Meeting of the Company to be held on 28 June 2011, and at any adjournment thereof and in respect of the Resolutions set out in the Notice of the Annual General Meeting to vote as indicated below.

RESOLUTION	FOR	AGAINST	VOTE WITHHELD
1 To consider and receive the Annual Report and Audited Financial Statements for the year ended 28 February 2011.			
2 To re-appoint Ernst & Young LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.			
3 To authorise the Directors to fix the auditors' remuneration.			
4 To accept the resignation and consider the re-appointment of Mr. Patrick Firth as a Director of the Company.			
5 To accept the resignation and consider the re-appointment of Ms. Tanja Tibaldi as a Director of the Company.			
6 To approve the Directors' remuneration report for the year ended 28 February 2011.			
7 To approve the payment of the final dividend of 7.5 cents per ordinary share.			
8 That the Company be authorised in accordance with the Companies (Guernsey) Law 2008 as amended, to make market acquisitions (as defined in that Law) of its own shares as defined in the Notice of AGM.			

Dated: 2011 Signature(s):

Please trim along dotted line,
fold and insert into the
supplied reply paid envelope.