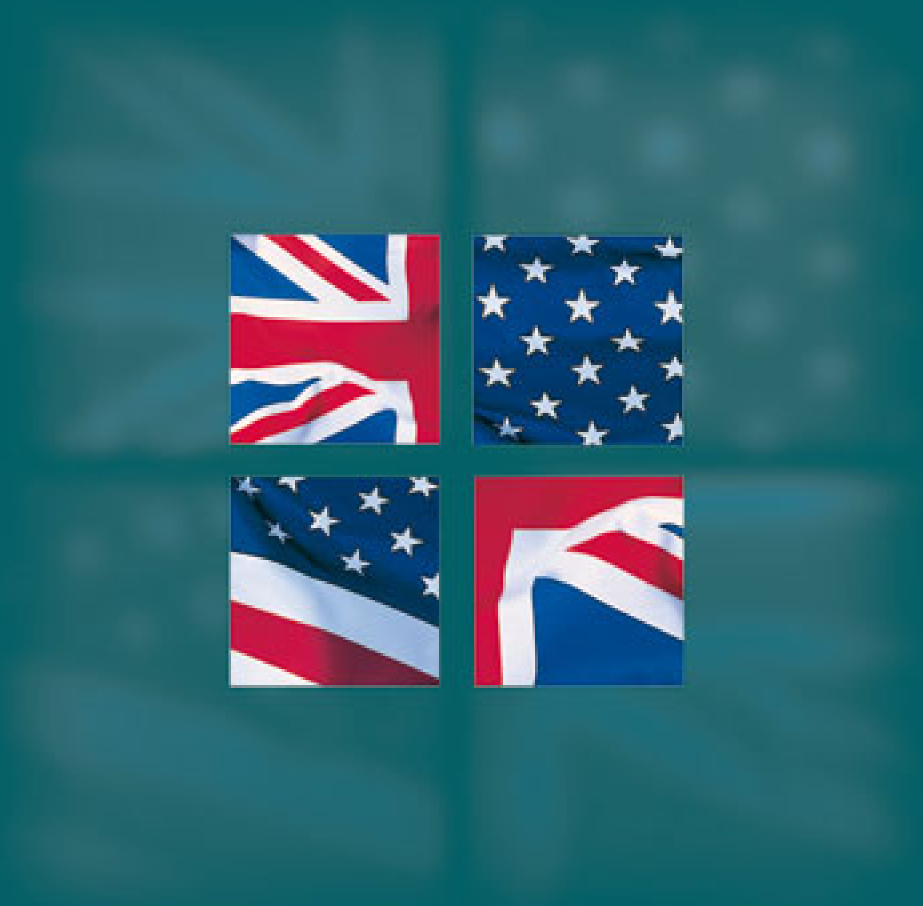

JZ Capital Partners Limited

Annual Report & Accounts

For the year ended 28 February 2010

Contents

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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, providing a superior overall return comprised of a current yield and significant capital appreciation."

Chairman's Statement

At the beginning of the period under review the world's equity and credit markets experienced their weakest conditions in many years such that the trading values of JZCP's listed equity investments and quoted first and second lien debt investments were down dramatically; and that the market attributed to JZCP's microcap and other private unlisted investments a fraction of the value put upon them by the Directors. Notwithstanding, the large majority of JZCP's investments were in businesses that withstood the rigours of the recession and even grew in some cases. In addition during this period and against that background, JZCP was faced with the task of refinancing or redeeming its then outstanding zero dividend preference shares ("the old ZDPs") which were due in June 2009.

The refinancing of the old ZDPs and equity fundraising was successfully completed in June 2009 and restored the strength of the balance sheet. Approximately US$229 million of new capital was raised for the repayment of the old ZDPs and for new investments, particularly in the microcap sector. The fund raising included the issue of 7 new Ordinary Shares for every 3 Ordinary Shares then already issued and also the consolidation of the resultant total on a 1 for 5 basis.

As is well known, the world's equity and credit markets have made a strong recovery since their low points reached in March 2009. The main effect of this on JZCP's results is evidenced in the values of its listed investments and quoted first and second lien debt investments. The overall performance of JZCP's microcap and other unlisted private investments has been firm. The Directors are not yet persuaded that market comparable evidence exists to justify adjustment to multiples in valuing (in accordance with the IPEVCA guidelines to which we must adhere) these investments. However, shareholders will recall that in recognition of the virtual closure in 2008/2009 of the mergers and acquisitions market the Directors then determined in respect of most private investments to increase the marketability discount by reference to the relevant enterprise value less senior debt (also required to be taken into account by those guidelines) from 10% to 20%. Although we have as yet made no adjustment, evidence for reversing that decision in whole or in part is becoming increasingly persuasive.

Investments and Realisations

Roofing Supply Group

In December 2009, Roofing Supply Group made a US$2.2 million "catch up" payment to JZCP for a portion of interest that had previously been deferred under prior agreements. The funding source for the payment to JZCP was cash generated from operations during a much improved business environment for that company.

Wound Care Companies

Although an event after 28 February 2010, two of our wound care driven companies – Wound Care Solutions and Sechrist – repaid their subordinated debt obligations to JZCP, via the 14 April 2010 funding of a new US$90 million bank facility. As a result, JZCP's investment in Wound Care decreased by US$12.3 million and our investment in Sechrist decreased by US$3.4 million.

JZ Europe Fund

Your Company has been offered the opportunity to make a significant investment in a new fund being launched by JZ International Limited ("JZI"), the European private equity platform founded in 1999 by David Zalaznick, Jay Jordan and Jock Green-Armytage in which your company has a minor investment. JZI has built a stable and experienced investment team with six senior investment professionals based in London and Madrid. JZI's investment track record dates back to 2000; it has invested approximately €109 million in 18 companies across 13 platform investments and has achieved €83 million in realisations to date. As at 30 September 2009, total realised and unrealised values imply a gross 32% IRR and 2.5x multiple on invested capital. Realised capital on investments made since 2004 imply a gross 49% IRR and 3.0x multiple on invested capital. JZCP has been offered this opportunity on favourable terms: there will be no management or carried interest fees charged to JZCP on its investment in the new fund. Consequently, there will be no double fees.

JZ Europe Fund 2010 LP ("JZ Europe Fund") is targeting €250 million to €300 million; David Zalaznick, Jay Jordan and the JZI investment team will be investing approximately €12.0 million in aggregate. The Directors propose that JZCP commits €30 million, which would be drawable at the rate of €5 million per annum over six years (on average). The JZ Europe Fund will be applied to Pan-European buy-out investing with a focus on the UK, The Netherlands, Germany, Spain and Italy. In all other respects the investment strategy and style of JZI is similar to that which JZAI follows in respect of JZCP's microcap investments in the US: lead and control investor; targeting 3x to 4x returns with modest leverage; targeting lower middle market companies with enterprise values in the range of €20 million to €150 million and EBITDA in the range of €5 million to €20 million; reasonable entry multiples in the 5x to 7x EBITDA range; non-competitive targets with no businesses bought at auction; operationally involved and concentrating on strategic build-ups; and strong focus on risk management and downside protection.

The Directors believe that the proposed investment in the JZ Europe Fund is an opportunity for JZCP to earn good returns as well as to diversify its portfolio by participating in the deals available from the wider JZ investment team. The timing of the JZ Europe Fund seems to be attractive, since history suggests that the three years following recession typically have been the best vintages for private equity and, in particular, it is the lower end of the middle market which has produced the best returns. Also it is possible that investment conditions are opening more quickly in Europe than in the US; JZI has a robust pipeline of proprietary-sourced non-competitive deal flow.

Chairman's Statement

Continued

The material risks associated with the investment by JZCP in JZ Europe Fund are the following:

JZCP's financial performance will be affected by JZ Europe Fund's financial performance which depends on the success of its investment strategy, the skill and judgement of JZI and its ability to retain key personnel. JZI has significant influence on the evaluation, selection and monitoring of investments and the implementation of JZ Europe Fund's investment objective and policy. In the event that JZI misjudges an investment, the actual returns on JZCP's investment in JZ Europe Fund may be less than anticipated at the time of acquisition, and it may prove difficult for JZCP to dispose of the investment at a price similar to that of JZCP's original acquisition price. Furthermore, there can be no guarantee that key individuals will remain with JZI or that JZI will be able to attract and retain suitable staff. The departure of any key personnel from JZI may have an adverse effect on the performance of JZCP.

Financial results may be adversely affected by movements in foreign exchange rates. JZCP accounts for its activities and reports its results in US dollars, however JZ Europe Fund's investments will primarily be made and realised in Euro. Where JZCP does not hedge its currency exposure, the movements of exchange rates between US dollars and Euro may have a material effect, unfavourable as well as favourable, on the price of and returns otherwise experienced on the investment in JZ Europe Fund and on JZCP's results.

JZCP will not control the underlying portfolio companies invested in by JZ Europe Fund. As a result, JZCP is subject to the risk that a portfolio company in which it invests may make business decisions with which it disagrees.

An investment of €30 million by JZCP in JZ Europe Fund is deemed to be a related party transaction as JZ Europe Fund will be managed by JZI, an affiliate of JZAI, JZCP's investment manager. JZAI and JZI were each founded by David Zalaznick and Jay Jordan. JZAI and JZI (together, the "Related Party") may be perceived to benefit from a proposed arrangement that would divert existing uncommitted funds into a new investment that is to be managed by JZI. The investment in JZ Europe Fund, is a related party transaction of a sufficient size for the purposes of the Listing Rules of the Financial Services Authority and therefore requires separate approval from shareholders. The proposed related party transaction will be subject to shareholder approval pursuant to Resolution 7 to be proposed as an ordinary resolution at the Annual General Meeting. The Related Party has undertaken all reasonable steps to ensure that neither David Zalaznick nor Jay Jordan, who are substantial shareholders in and exercise significant influence over the Related Party, will vote on Resolution 7 at the Annual General Meeting.

JZCP's proposed investment in JZ Europe Fund would constitute an indirect investment by JZCP in micro cap businesses across Europe, which does not fall within JZCP's published investment policy as it would be a significant investment outside the United States. Therefore, in order to permit JZCP's investment in JZ Europe Fund, JZCP's existing investment policy needs to be changed. Under the Listing Rules of the Financial Services Authority shareholder approval is required to approve a material change to JZCP's investment policy. It is proposed that JZCP's corporate objective be amended to permit investments outside the United States such that the new objective would be "To create a portfolio of investments that are based primarily in the United States and outside the United States providing a superior overall return comprised of a current yield and significant capital appreciation". Investments outside the United States would be restricted to 20% of the Company's gross assets. The proposed amendment to the investment policy is considered to be a material change and is therefore subject to shareholder approval pursuant to Resolution 8 to be proposed as an ordinary resolution at the Annual General Meeting.

The Board considers that the proposed investment in JZ Europe Fund, which would constitute a related party transaction and a material change to JZCP's investment policy, is in the best interests of JZCP and its shareholders as a whole. The Board believes that the proposed related party transaction set out in resolution 7 to be proposed at the Annual General Meeting is fair and reasonable so far as all the shareholders are concerned and the Directors have been so advised by J.P. Morgan Securities Ltd. Accordingly, the Board unanimously recommends that you vote in favour of resolutions 7 (related party resolution) and 8 (change of investment policy resolution) to be proposed at the Annual General Meeting, as the Directors intend to do in respect of their own beneficial holdings, representing 0.20% of voting rights.

J.P. Morgan Securities Ltd. has given and not withdrawn its written consent to the issue of this document and the inclusion of its name and the references to it in this document in the form and context in which they appear.

There has been no significant change in the trading or financial position of the Company since 28 February 2010, being the last date on which the Company has published audited financial information.

Net Asset Value

At the end of the year under review, 28 February 2010, the NAV of JZCP was US$457.5 million (US$7.04 per share against US$401 million (US$6.17 per share) on 28 February 2009 adjusted for the fundraising and other changes in share capital referred to above.

The main constituents of the increase in NAV per share come from our listed equity investments, US$0.34 in aggregate of which US$0.23 is attributable to TAL and US$0.10 to Safety Insurance. Investments in traded first and second lien loans account for a net US$0.11 increase.

Overall our microcap investments show a decline of US$0.04, increases of US$0.03 each coming from Dantom,

Chairman's Statement

Continued

Dental Services and GH Wire and of US$0.08 from Woundcare and decreases coming from Accutest, Nationwide and Sechrist of US$0.06, US$0.09 and US$0.06 respectively. The increase in value of our mezzanine investments of US$0.10 was contributed by Roofing Supply.

Income and Dividends

Revenue return for the year ended 28 February 2010 was 47.0c per share (based on an end of year 65 million outstanding Ordinary Shares) and adjusted for non-cash income, being paid in kind securities and preference dividends, was 17.2c per share. The Directors declared and paid an interim dividend on 4 December 2009 of 9.0c per share and, anticipating the increase to 50% in the top rate of taxation on income in the UK that came into force in respect of the tax year commenced 6 April 2010, declared and on 1 April 2010 paid a second interim dividend of 6.5c per share. No final or further dividend will be recommended or paid in respect of the period under review, the year to 28 February 2010.

It is the policy of the board to return to shareholders substantially all of JZCP's net cash income. Further, the intention is not to make distributions in respect of non cash income, payment in kind securities and preference dividends, unless and until they are converted into cash, when it would be the intention of the Directors to return substantially all of that cash to shareholders. Such conversion would occur upon the sale of an investee company or, in the case of paid in kind securities, upon their earlier redemption. The refinancings by Roofing Supply, Woundcare and Sechrist of JZCP's investment in their debt capital include examples of such occurrences and will be taken into account by the Directors in their determination of the interim dividend for the current financial year.

Share Buybacks

The Directors' attitude to share buybacks remains unchanged. They see little evidence that buying back the shares of a listed private equity company has anything other than a short term effect on the discount. However, they are alert to suitable opportunities to buy back shares on investment grounds.

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 2010 no provision was taken for either a capital or income incentive fee.

Directors

At the last Annual General Meeting, which was JZCP's first and took place immediately after the refinancing, none of the Directors retired by rotation. At the forthcoming Annual General Meeting we will commence the three year rotation cycle and I together with David Alison and James Jordan will each retire and we will each offer ourselves for re-election.

Outlook

The price of JZCP's shares has been moving in the right direction but they continue to trade at a substantial discount to NAV. The Directors expect that future performance, largely driven by JZCP's microcap investments will narrow the gap. Following last year's financing JZCP is in a strong financial position and is well placed to take advantage of investment opportunities and, as the M&A market gradually opens up, of investment realisation opportunities by way of refinancing of investments and sale. The Directors are greatly encouraged by JZAI's plans and pipeline in regard to the targeted industry "verticals" as well as the opportunity to diversify a part of our portfolio into Europe afforded by the investment in the JZ Europe Fund.

JZCP's financial statements for the year ended 28 February 2010, the Independent Auditors' Report thereon, the Report of the Directors and the Investment Adviser's Report were approved on and are each dated 17 May 2010 however, for regulatory purposes, it has been necessary to update my statement since this date, and it is therefore dated 20 May 2010.

David Macfarlane
Chairman

20 May 2010

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 an AIM listed Company and 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 of which all Directors are members.

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.

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767 Fifth Avenue
New York NY 10153

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JZ Capital Partners Limited is registered in Guernsey
Number 48761

Administrator, Registrar and Secretary

Butterfield Fulcrum Group (Guernsey) Limited
2nd Floor, Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3NQ

Independent Auditor

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St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

UK Transfer and Paying Agent

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US Bankers

HSBC Bank USA NA
452 Fifth Avenue
New York, NY 10018

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

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St Peter Port
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US Lawyers

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Financial Adviser and Broker

J.P. Morgan Securities Ltd
20 Moorgate
London EC2R 6DA

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 2010.

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, which came into effect on 1 July 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$56,959,000 (period ended 28 February 2009: loss of US$91,992,000). The revenue return for the year was US$30,569,000 (period ended 28 February 2009: US$19,588,000), after charging administrative expenses of US$2,398,000 (period ended 28 February 2009: US$1,524,000) and 65% of the Investment Adviser's fee US$4,866,000 (period ended 28 February 2009: US$3,235,000). The net asset value (NAV) of the Company at the year end was US$457,513,000 (28 February 2009: US$256,984,000) equal to US$7.04 (28 February 2009: US$13.18 (restated to reflect 1 for 5 consolidation on 22 June 2009)) per Ordinary share.

For the year ended 28 February 2010, the Company had US$10,047,000 (period ended 28 February 2009: US$3,385,000) 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 to 4 and the Investment Adviser's Report on pages 11 to 13. The Directors' valuation of the listed and unlisted investments is detailed on pages 15 to 17.

Dividends

An interim dividend of 9.0c per Ordinary share (total US$5,851,675) was declared by the Board on 29 October 2009 and paid on 4 December 2009.

A second interim dividend of 6.5c per Ordinary share (total US$4,226,210) was proposed by the Board on 4 March 2010 and paid on 1 April 2010.

*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 percent 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

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 5.

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

All Directors are independent at the year end. (Patrick Firth was the managing director of the Administrator, Registrar and Secretary until 30 June 2009).

Annual General Meeting

The Company's first Annual General Meeting is due to be held on 21 June 2010.

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 in the table 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 period. There have been no changes in the Directors' interests between 28 February 2010 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 as 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 2009	Ordinary shares purchased	Consolidation 1 for 5	Number of Ordinary shares 28 February 2010
David Macfarlane	60,000	140,000	(160,000)	40,000
James Jordan	150,000	–	(120,000)	30,000
Tanja Tibaldi	10,000	–	(8,000)	2,000
	220,000	140,000	(288,000)	72,000

Report of the Directors

Continued

Substantial shareholders

As at 28 February 2010 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%
Massachusetts Mutual Life Insurance Company	2,866,545	–	2,866,545	4.41%
Prudential Client HSBC GIS Nominee (UK)	2,854,309	–	2,854,309	4.39%
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%.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Financial Statements in accordance with International Financial Reporting Standards ("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 and Articles of Association 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.

Report of the Directors

Continued

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:

- 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 17 May 2010.

David Macfarlane	**Patrick Firth**
Chairman	Director

Investment Adviser's Report

Dear Fellow Shareholders,

We are pleased to report that JZCP's financial condition at fiscal year-end, 28 February 2010, was excellent. Our NAV per share grew from US$6.17 at 1 March 2009 to US$7.04 at 28 February 2010, a 14% growth rate. A large proportion of our assets (summarised below) are highly liquid and our investment portfolio has performed very well. Since the fiscal year-end, JZCP's NAV per share has continued to grow and liquidity has increased with the successful refinancing of two of our portfolio companies.

	28/02/2010 US$'000	28/02/2009[1] US$'000
Investments	**394,675**	333,900
Cash and cash equivalents	**134,867**	138,739
Other net (liabilities)/assets	**(630)**	1,580
Zero Dividend Preference shares	**(71,399)**	(72,838)
Net asset value	**457,513**	401,381
Number of Ordinary shares (000's)	**65,019**	65,019
Net asset value per Ordinary Share	**US$7.04**	US$6.17
Market price per Share	**US$4.16**	US$2.10
NAV to market price discount	**41%**	66%

[1] Pro forma for the issuance of 227.6 million Ordinary Shares, the rollover of 16.0 million ZDP shares, the issuance of 4.7 million new ZDP shares, the redemption of old ZDP shares, a 1 for 5 Ordinary share consolidation and a mark to market adjustment for a forward currency derivative contract.

All that being said, our shares are still trading at a 41% discount to NAV, albeit smaller than a year ago (66%). Given that 45% of our assets are cash and marketable securities, our private investments are trading on an implied 53% discount. To add some context, our Board conservatively values our private investments using a 20% marketability discount and historical earnings of the underlying portfolio companies still reflect the recent recession.

David Zalaznick and Jay Jordan

Portfolio Summary

Below is a summary of our portfolio by asset category:

	28/02/2010 US$'000	28/02/2009[1] US$'000	Variance US$'000
Micro-Cap portfolio	**171,903**	158,263	13,640
Mezzanine investments	**85,696**	70,978	14,718
Legacy portfolio	**31,845**	29,180	2,665
Total private investments	**289,444**	258,421	31,023
Listed equity	**69,642**	47,264	22,378
Bank debt	**35,589**	28,215	7,374
Cash	**134,867**	138,739	(3,872)
Total listed investments (including cash)	**240,098**	214,218	25,880
Total investments (including cash)	**529,542**	472,639	56,903
Other current assets	**682**	2,017	(1,335)
Total assets	**530,224**	474,656	55,568

[1] Pro forma for the issuance of 227.6 million Ordinary Shares, the rollover of 16.0 million ZDP shares, the issuance of 4.7 million new ZDP shares, the redemption of old ZDP shares, a 1 for 5 Ordinary share consolidation and a mark to market adjustment for a forward currency derivative contract.

Investment Adviser's Report

Continued

Micro-Cap Portfolio

Our micro-cap portfolio has been, and will continue to be, the growth engine of JZCP's NAV. Our current portfolio continues to be made up of eight platform investments across a wide variety of industries. This portfolio is under-levered, with debt senior to JZCP 1.0x the last 12 months trailing EBITDA. We have purposely kept leverage low in this portfolio, given the uncertainty in the economy and capital markets. We will be slowly adding additional leverage on these investments as the capital and the underlying businesses' perform well. This past month, (April 2010), we added US$75 million of bank debt to our two wound care companies – Wound Care Solutions and Sechrist Industries; JZCP received proceeds of US$15.7 million in full repayment of certain debt instruments and accrued interest.

We continue to be very reasonable on our valuations of our micro-cap portfolios. The effective EBITDA multiple at which we value our micro-cap business has declined from 7.0x before the economic downturn, to 5.8x currently. We may be reviewing those EBITDA multiples as capital markets free up and M&A activity begins to show some form of life.

We foresee no immediate refinancing risk on the micro-cap portfolio. The earliest maturity of the third party debt in this portfolio is in 2011; we have already begun discussions to extend that maturity.

Although we have reviewed several hundred investment opportunities during this fiscal year, we have been extremely cautious in putting money to work. However, we have recently made five "add-on" investments to our existing portfolio businesses. These investments were:

- On 27 March 2009, JZCP invested an additional US$1.8 million in Horsburg and Scott to fund continued expansion of its wind turbine capabilities.
- On 12 May 2009, JZCP invested an additional US$1.8 million in AC Tech. These funds were used to acquire interests of other unrelated investors.
- On 6 July 2009, JZCP invested an additional US$1.4 million into Group Dekko, to support working capital and pay down "unhappy" bankers.
- On 2 November 2009, JZCP invested US$5.2 million in Dantom, our collection letter service company. These funds were used to purchase existing customer contracts from a competitor.
- On 18 December 2009, JZCP invested an additional US$500,000 in Horsburg and Scott Company, in order to facilitate the continued purchase of new equipment to be used for its wind power cell.

Mezzanine portfolio

Our mezzanine portfolio consists of six investments to which we have attributable value. The largest of these is Continental Cement which has a carrying value of US$28.4 million. These businesses have more leverage on them than our micro-cap investments, as they tend to be larger and therefore more aggressively capitalized. Despite that, the debt senior to JZCP for these six investments is only 2.7x EBITDA.

We have made no new investments in this mezzanine portfolio, other than adding US$2.8 million of subordinated notes into Continental Cement Company, to support working capital. We are excited about Continental Cement prospects as the economy in the midwest United States begins to rebound, a positive for this low cost cement producer.

Legacy investments

The Legacy investments are those that were in JZEP portfolio prior to 2002 and were transferred to JZCP upon the liquidation of JZEP in July 2008. Most of this segment's value is in two companies – Hoveround (US$13.7 million) and Apparel Ventures (US$12.1 million). Both companies are performing well; we are very comfortable that eventually these investments will be realized at their stated values. The remaining US$6.0 million is scattered amongst a variety of smaller investments.

Listed equities

Listed Equities consist of three investments in which JZCP had significant investments which were redeemed via an IPO. The largest piece of this portfolio is in Safety Insurance, contributing 62%. TAL, an international container company, makes up essentially all the remaining value. Both of these companies' stock has rebounded since our interim report; they are up 26% (US$13.8 million) creating almost 50% of the total portfolio growth. We hope to exit both these stocks as the economy recovers.

Bank debt

Of the ten investments in this portfolio, nine are publically traded; the tenth is a smaller bank facility. 53% of this portfolio is in first lien loans, with the remaining 47% in second lien loans. Despite the rebound in certain capital markets, secondary trading in the bank debt market continues to be challenged, although our portfolio as a percent of par has risen from 42% from the beginning of the year to 62% at the end of the year. Absent any changes, we will hold them until higher values can be realized.

New opportunities

As many of you know, our investment strategy is relatively simple: we try to buy good quality, profitable businesses with managers we want as partners at reasonable prices employing modest leverage. We then add seasoned executives to help the respective management teams develop and execute

Investment Adviser's Report

Continued

growth plans and provide capital for acquisitions and product line extensions. We believe this is the safest way to ensure a superior return.

At the beginning of our investment process, we research industry sectors and subsectors to find enough businesses that meet our criteria: we like high margins, highly fragmented markets, pricing power, non-capital or technology intensive businesses that are scalable. These become our "verticals". If we're lucky we can fish in a stocked pond with expert fisherman.

We have five new verticals that we are pursuing aggressively. Two such verticals are Specialty Foods and Testing Services and we have two superb executives to lead the charge for us, Bob Aiken in Specialty Foods and Phil Rooney in Testing Services.

Bob recently joined us in February 2010 after serving as a CEO of US Food Services, a US$19 billion revenue business with 25,000 employees. Prior to US Food Services, Bob ran Metz Bakery where he closed eight acquisitions and created a market leader with over 6,000 employees in eighteen months.

In a few months, Bob has worked with the JZAI team to refine the investment strategy and identify attractive candidates utilizing two of our exclusive buy-side intermediaries. The deal team has attended trade shows and evaluated several dozen opportunities. As of April, we are in serious negotiations with five businesses that are in the Organic/Natural and Specialty/Gourmet food categories. We are very excited about this strategic build-up with Bob Aiken and expect to complete several transactions this year.

Phil Rooney was a significant contributor to JZCP's successful investment in Mid-American Recycling, Inc. Previously, Phil served as CEO of Waste Management for 14 years. Phil has signed on to lead a strategic build-up in Testing Services, companies that provide niche certification of verification services. We are focused on health, safety and environmental testing, metallurgy and materials testing, consumer product testing and other specialty testing. After evaluating many candidates, we are in serious negotiations with four companies and expect to close several deals in the coming months.

We are in the process of raising a private "sidecar" Fund A which can invest prorata with JZCP in our microcap buyouts. We anticipate committing approximately US$300 million to fund the strategic buildups in each of the future verticals, up to US$150 million from JZCP and up to US$150 million from the Fund A. This will provide JZCP with a much larger and more diversified portfolio than it could achieve on its own.

We are also raising JZ Europe Fund 2010 LP, a private equity fund built around the investment team at JZ International, the European private equity platform we founded in 1999 with Jock Green-Armytage, the former chairman of JZEP. The mandate was to build a team and make investments in the lower middle market/microcap space in Europe in a similar fashion to what we have done in the US. Jock has built a great team that has produced an outstanding track record over the past ten years – all detailed in the Chairman's Statement in this report. We are very excited about the opportunities ahead in the lower middle market space in Europe and look forward to having this further diversification to JZCP's portfolio at no additional cost to JZCP (no double fees).

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 50 to 58 of the financial statements describe the Company's risk management processes.

Outlook

JZCP is poised for growth; we have the liquidity and a proven investment approach to strategic buildups. We know that coming out of recessionary years has always been a good time to be acquiring businesses. Our existing portfolio should continue to perform well. If our growth plans for the respective portfolio companies succeed, the portfolio will be realized in the coming years at attractive values that will drive the NAV growth.

As always, we appreciate your support. Please feel free to contact us if you have any questions and visit our website www.jzcp.com to see our monthly fact sheet.

Yours faithfully,

David W. Zalaznick
John W. Jordan II

17 May 2010

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	Book Cost* US$'000	Original JZEP Historical Cost** US$'000	Directors Valuation at 28 February 2010 US$'000	Carrying Value Including Accrued Interest 28 February 2010 US$'000	Percentage of Portfolio %
BANK DEBT: FIRST LIEN PORTFOLIO					
EMDEON BUSINESS SERVICES, LLC Healthcare service provider	2,564	2,728	2,663	2,679	0.7
HARRINGTON HOLDINGS, INC.*** Distributor of healthcare products	4,529	4,862	4,506	4,506	1.1
INFONXX, INC. Worldwide provider of directory assistance	2,777	2,910	2,764	2,781	0.7
INTERGRAPH CORPORATION Designer and provider of SIM software	801	837	811	825	0.2
KINETEK, INC.*** Manufacturer of electric motors and gearboxes	4,331	4,725	3,599	3,619	0.9
PETCO ANIMAL SUPPLIES, INC. Retailer of pet food, supplies and services	1,784	1,941	1,888	1,893	0.5
SCS HOLDINGS II, INC. IT solutions provider	876	1,063	1,034	1,040	0.3
TOTES ISOTONER CORPORATION Leading designer and retailer of cold weather and rain products	584	781	647	647	0.2
WP EVENFLO HOLDINGS, INC. Manufacturer of children's products	814	948	798	806	0.2
BANK DEBT: SECOND LIEN PORTFOLIO					
DEKKO TECHNOLOGIES, LLC Distributor of electrical sub-components	11,418	11,368	4,593	4,670	1.2
EMDEON BUSINESS SERVICES, LLC Healthcare service provider	465	500	491	496	0.1
HARRINGTON HOLDINGS, INC. Distributor of healthcare products	9,300	10,000	7,000	7,000	1.8
KINETEK, INC.*** Manufacturer of electric motors and gearboxes	13,425	15,000	4,500	4,627	1.2
Total Bank Debt	**53,668**	**57,663**	**35,294**	**35,589**	**9.1**

Investment Review

Continued

Company	Book Cost* US$'000	Original JZEP Historical Cost** US$'000	Directors Valuation at 28 February 2010 US$'000	Carrying Value Including Accrued Interest 28 February 2010 US$'000	Percentage of Portfolio %
MEZZANINE PORTFOLIO					
BRAXTON-BRAGG CORPORATION Distributor of equipment to stone fabricators	1,324	1,324	666	66	–
CONTINENTAL CEMENT COMPANY, LLC Mines and processes limestone	27,586	27,586	27,586	28,419	7.2
GED HOLDINGS, INC. Manufacturer of windows	3,285	9,385	305	324	–
HAAS TCM GROUP, INC. Speciality chemical distribution	7,584	7,584	7,584	7,764	2.0
M/C COMMUNICATIONS, LLC Provision of marketing services to the medical profession	800	800	–	–	–
METPAR INDUSTRIES, INC. Manufacturer of restroom partitions	7,348	8,652	4,000	4,083	1.0
PETCO ANIMAL SUPPLIES, INC. Retailer of pet food, supplies and services	17,508	17,508	17,508	17,938	4.5
ROOFING SUPPLY GROUP, INC. Distributor of roofing products	12,656	18,775	18,200	18,623	4.7
TTS, LLC Provider of technical facilities for mechanical services	8,496	8,336	8,336	8,479	2.1
Total Mezzanine Portfolio	**86,587**	**99,950**	**83,585**	**85,696**	**21.5**

Investment Review

Continued

Company	Book Cost* US$'000	Original JZEP Historical Cost** US$'000	Directors Valuation at 28 February 2010 US$'000	Carrying Value Including Accrued Interest 28 February 2010 US$'000	Percentage of Portfolio %
MICRO CAP PORTFOLIO					
ACCUTEST HOLDINGS, INC. Provision of environmental testing laboratories to the US market	41,891	38,430	33,716	34,402	8.7
BG HOLDINGS, INC. Manufacturer of industrial gears	25,278	25,278	23,171	23,696	6.0
DANTOM SYSTEMS, INC. Outsourcing of debt collection	22,149	24,198	24,149	25,135	6.4
DENTAL HOLDINGS CORPORATION Manufacturer of dental services	30,035	24,273	26,935	27,434	7.0
GHW HOLDINGS, INC. Manufacturer and distributor of orthodontic products	15,099	8,640	17,597	17,797	4.5
NATIONWIDE STUDIOS, INC. Processor of digital photos for pre-schoolers	17,647	17,647	4,600	4,600	1.2
SECHRIST INDUSTRIES, INC.*** Manufacturer of oxygen chambers and other respiratory products	16,066	6,589	10,965	11,110	2.8
WOUND CARE SOLUTIONS, LLC*** Chronic wound care treatment	41,813	57,408	27,151	27,729	7.0
Total Micro Cap Portfolio	**209,978**	**202,463**	**168,284**	**171,903**	**43.6**
WARRANTS					
BROOKE CREDIT CORPORATION	72	–	–	–	–
Total Warrants	**72**	**–**	**–**	**–**	**–**

Investment Review

Continued

Company	Book Cost* US$'000	Original JZEP Historical Cost** US$'000	Directors Valuation at 28 February 2010 US$'000	Carrying Value Including Accrued Interest 28 February 2010 US$'000	Percentage of Portfolio %
LEGACY PORTFOLIO					
ADVANCED CHEMISTRY & TECHNOLOGY, INC. Manufacturer of aircraft sealants	3,450	3,450	3,450	3,497	0.9
APPAREL VENTURES, INC. Swimwear designer, manufacturer and marketeer	12,087	12,087	12,087	12,087	3.1
ETX HOLDINGS, INC. Provider of services to the auto after sales market	462	462	463	476	0.1
GEAR FOR SPORTS, INC. Sports and active-wear designer and manufacturer	–	1,495	–	–	–
HEALTHCARE PRODUCTS HOLDINGS, INC. Designer and manufacturer of motorised vehicles	21,523	29,718	12,981	13,743	3.5
JORDAN INDUSTRIES, INC. Conglomerate	–	18	–	–	–
JZ INTERNATIONAL LLC Fund of European LBO investments	1,684	724	1,684	1,690	0.4
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	**39,558**	**49,300**	**31,017**	**31,845**	**8.1**
LISTED INVESTMENTS					
SAFETY INSURANCE GROUP, INC. Provider of automobile insurance	42,223	6,816	42,860	42,860	10.9
TAL INTERNATIONAL GROUP, INC.*** Lessor of intermodal shipping containers	31,959	13,798	25,097	25,097	6.4
UNIVERSAL TECHNICAL INSTITUTE, INC. Vocational training in the automotive and marine fields	835	15	1,685	1,685	0.4
Total Listed Investments	**75,017**	**20,629**	**69,642**	**69,642**	**17.7**
TOTAL – PORTFOLIO	**464,880**	**430,005**	**387,822**	**394,675**	**100.00**
Zero Dividend Preference shares				(71,399)	
Cash and other net assets				134,237	
Net assets attributable to Ordinary shares				**457,513**	

* 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 adjusted for transactions in the period from 1 July 2008 to 28 February 2010.

*** Invested in deals with the Resolute Fund – see Note 26.

Notes:

Directors consider that the investments in BHM Technologies Holdings, Inc, TransAmerica Auto Parts, Inc. and WIZA Industries, LLC are unlikely to return any future value and have therefore been removed from the Company's investment portfolio.

Mezzanine Portfolio includes common stock with a carrying value of US$2,457,000, these investments are classified as Loans and Receivables.

Legacy Portfolio – Investments not subject to incentive fees.

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	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
Common Stock with an equity interest of 7.6%	42,223	6,816	42,860
Year ended 31 December, 2009 Sales			US$592.0m
Year ended 31 December, 2009 Adjusted EBITDA			US$86.6m

Accutest Holdings, Inc.

Headquarters: Datton, New Jersey, USA
Sector: Research 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	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
12.5% Senior Subordinated Notes	7,922	7,922	7,922
10% Preferred Stock	25,294	25,294	25,294
15% Preferred Stock	5,175	5,175	500
Common Stock with an equity interest of 38.7%	3,500	39	–
	41,891	38,430	33,716
Year ended 31 December, 2009 Sales			US$57.3m
Year ended 31 December, 2009 Adjusted EBITDA			US$13.5m

* 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 adjusted for subsequent transactions.

Investment Review Major Holdings

Continued

Continental Cement Company, LLC

Headquarters: Hannibal, Missouri, USA
Sector: Cement Manufacturer

Continental Cement Company is located in Hannibal, Missouri 3,500 acres adjacent to the Mississippi River. Continental Cement Company employs 240 people and 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 recently completed construction of a state of the art plant to replace its old facility.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
18% Senior Subordinated Notes	27,586	27,586	27,586
Year ended 31 December, 2009 Sales			US$83.8m
Year ended 31 December, 2009 Adjusted EBITDA			US$34.1m

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	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
12.5% Senior Subordinated Notes	11,851	11,851	11,851
15% Preferred Stock	5,943	5,943	–
16.5% Preferred Stock	24,019	39,522	15,300
Common Stock with an equity interest of 22.2%	–	92	–
	41,813	57,408	27,151
Year ended 31 December, 2009 Sales			US$88.9m
Year ended 31 December, 2009 Adjusted EBITDA			US$19.8m

* 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 adjusted for subsequent transactions.

Investment Review Major Holdings

Continued

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 acquirer and operator of laboratories which manufacture oral appliances for dentists and dental centres. It runs both full service labs and "sale and delivery" sites in the United States, Canada and Mexico, making it one of the largest companies of its kind.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
12.5% Subordinated Notes	8,154	8,154	8,154
8% Series "B" Cumulative Preferred Stock	9,230	9,230	9,230
10% Series "B" Cumulative Preferred Stock	6,851	6,851	6,851
Common Stock with an equity interest of 35.4%	5,800	38	2,700
	30,035	24,273	26,935
Year ended 31 December, 2009 Sales			US$89.1m
Year ended 31 December, 2009 Adjusted EBITDA			US$10.2m

Dantom Systems, Inc.

Headquarters: Novi, Michigan, USA
Sector: Outsourcing of Debt Collection

Dantom Systems, Inc. provides integrated services to the debt collections industry as a single source provider of customized collection letter designing, processing, printing, mailing and data management. The Company serves over 500 collection agencies and purchasers of credit card, health care, automobile and other consumer debt from a wide range of industries.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
8% Senior Subordinated Notes	8,767	8,767	8,767
12.5% Senior Subordinated Notes	9,143	9,143	9,143
8% Preferred Stock	4,239	6,239	6,239
Common Stock with an equity interest of 42.5%	–	49	–
	22,149	24,198	24,149
Year ended 31 December, 2009 Sales			US$80.7m
Year ended 31 December, 2009 Adjusted EBITDA			US$7.1m

* 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 adjusted for subsequent transactions.

Investment Review Major Holdings

Continued

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 675,000 standard dry freight, refrigerated and special containers which are serviced out of 199 container depots in 37 countries. The company's customers include shipping companies, distribution companies, manufacturers and transport companies.

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
Common Stock with an equity interest of 4.5%	31,959	13,798	25,097
Year ended 31 December, 2009 Sales			US$352.5m
Year ended 31 December, 2009 Adjusted EBITDA			US$246.1m

BG Holdings, Inc.

Headquarters: Cleveland, Ohio, USA
Sector: Industrial Gears

BG Holdings Inc owns The Horsburgh & Scott Co ("H&S"). H&S is a privately held manufacturer of highly engineered industrial gears and mechanical gear drives, with a market leading position in the large-diameter gear market. Founded in 1886, 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	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
12.5% Senior Subordinated Notes	5,000	5,000	5,000
Preferred Stock	20,237	20,237	18,171
Common Stock with an equity interest of 40.8%	41	41	–
	25,278	25,278	23,171
Year ended 31 December, 2009 Sales			US$52.1m
Year ended 31 December, 2009 Adjusted EBITDA			US$8.3m

* 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 adjusted for subsequent transactions.

Investment Review Major Holdings

Continued

PETCO Animal Supplies, Inc.

PETCO Animal Supplies, Inc. is a leading speciality retailer of premium pet food, supplies and services.

Headquarters: San Diego, California, USA
Sector: Food

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
10.5% Subordinated Notes	15,872	15,872	15,872
1st Lien Loan Notes	1,784	1,941	1,888
Common Stock with an equity interest of 0.21%	1,636	1,636	1,636
	19,292	19,449	19,396
Year ended 31 January, 2010 Sales			US$2,735.2m
Year ended 31 January, 2010 Adjusted EBITDA			US$314.5m

Roofing Supply Group

Roofing Supply Group ("RSG") is one of the largest wholesale distributors of residential and commercial roofing supplies and related materials in the United States. Through its network of 55 branches, RSG provides one-step distribution services from the roofing product manufacturers to roofing contractors, home builders, retailers and other end users.

Headquarters: Dallas, Texas, USA
Sector: Distributor of Roofing Products

Valuation	Book cost* US$'000	Original JZEP historical cost** US$'000	Directors' valuation at 28 February 2010 US$'000
14.5% Senior Subordinated Notes	12,656	17,500	17,500
Common Stock with an equity interest of 1%	–	1,275	700
	12,656	18,775	18,200
Year ended 31 December, 2009 Sales			US$784.6m
Year ended 31 December, 2009 Adjusted EBITDA			US$53.8m

* 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 adjusted for subsequent transactions.

Directors' Remuneration Report

The Directors' remuneration report has been prepared on behalf of the Board. Although as a Guernsey registered company JZCP is exempt from the requirements of the Combined Code ("the Code") as issued by the UK Listing Authority the Directors have carefully considered the recommendations of the Code whilst preparing this report.

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

Remuneration policy

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee. All of the matters recommended by the Combined 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 $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 2010 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 Codes rules on independence of the Board in relation to the Company, its senior management and major shareholders. The nomination committee is chaired by David Macfarlane, and each of the other Directors is also a member. The members of the committee are independent of the Investment Adviser. The Nomination Committee 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 appointment, that he 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 2010 US$	Fees for services to the Company for the period from 14 April 2008 to 28 February 2009 US$
David Macfarlane (Chairman)*	197,500	60,781
David Allison	60,000	43,225
Patrick Firth	60,000	42,904
James Jordan	60,000	42,904
Tanja Tibaldi	60,000	42,904
	437,500	232,718

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 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.

*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.

Corporate Governance

Introduction

JZ Capital Partners Limited, being a company registered in Guernsey is exempt from the requirements of the Combined Code ("the Code") as issued by the UK Listing Authority. However, the Directors recognise the importance of the Code and the AIC Code (which establishes a framework of best practice specifically for Boards of investment companies) and the Company does and will comply with the recommendations of the Combined Code, AIC Code and the Transparency Directive to the extent they consider 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 5 and their interests in the shares of JZCP are shown in the Report of the Directors on page 8.

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 27.

Board balance and independence of Directors

The Board considers that all of the Directors are independent of the Investment Adviser. 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 Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. 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 Combined Code is that Directors should submit themselves for re-election at regular intervals and at least every three years, and in any event as soon as it is practical after their initial appointment to the Board. It is a further requirement that non-executive Directors are appointed for a specific period.

The letters of Appointment of the non-executive Directors suggest that it is appropriate for Directors to retire and be nominated for re-election after three years of service, subject to the recommendation of the Nominations Committee. The Nominations Committee met on 29 October 2009 and it was agreed that Mr Allison, Mr Jordan and Mr Macfarlane will put themselves forward for re-election at the 2010 Annual General Meeting. This would avoid having a situation where the entire Board would stand for re-election at the same time.

Corporate Governance

Continued

Board committees

In accordance with the Combined 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 24 and 25. 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 2010.

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, and each of the other Directors are also members. Members of the Committee are independent of the Company's external auditors and the Investment Adviser. The Audit Committee meets at least twice a year and meets the external auditors at least twice a year. The Audit Committee is responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Committee also considers the nature, scope and results of the auditors' work and reviews, and 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 once during the year ended 28 February 2010 on 29 October 2009.

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 is as follows:

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

Going Concern

In the financial statements for the period ended 29 February 2009, we stated that as a result of our ZDP shares redeeming on 24 June 2009 and an associated forward foreign exchange contract which was due to be settled on 1 June 2009, there was a funding shortfall of at least US$77,799,000 before realising other assets. We also stated that the Company had substantial amounts of other assets but it was unlikely that it would be able to realise a large enough proportion of these in the normal course of business to meet the funding shortfall of US$77,799,000. Furthermore the Company did not have any borrowing facilities to meet its funding shortfall.

At the date of approval of those financial statements for the period ended 29 February 2009 the Company had put proposals to shareholders and others to raise additional equity and for Zero Dividend Preference shareholders to roll over existing ZDPs ("the Proposals"). In addition, the Company had obtained irrevocable commitments for US$86,000,000 which were

Corporate Governance
Continued

sufficient to meet the funding shortfall. However, the success of the Proposals depended on shareholders voting in favour of them. Whilst the terms of the irrevocable commitments required those making them to vote in favour of the Proposals, and those represented approximately 37% of total votes, the Proposals required a 75% majority (of those voting). This gave rise to a material uncertainty that the Proposals would not be successful which may have cast significant doubt on the Company's ability to continue as a going concern.

Subsequent to 29 February 2009, the shareholders voted in favour of the proposals and the Company was successful in raising net proceeds from the issue of ordinary shares and new ZDP of US$149,269,000 and US$16,241,000. In addition the Company was successful in rolling over US$56,516,000 worth of old ZDP shares into new ZDP shares. Further details of these events are provided in Notes 10 and 11.

As a result 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. However, the Directors recognise that a meeting in Guernsey is not easy for many shareholders to attend and therefore a separate event in London was arranged for shareholders.

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

The Company also provides 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 50 to 58.

Control procedures

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

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.

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.

Independent Auditors' Report

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

We have audited the accompanying financial statements of JZ Capital Partners Limited for the year ended 28 February 2010 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and the related notes 1 to 32. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 required 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 described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and the Companies (Guernsey) Law, 2008.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the Company has not kept proper accounting records, the financial statements are not in agreement with accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Corporate Objective, Chairman's Statement, Board of Directors, Company Advisers, Investment Adviser's Report, Valuation Policy, Investment Review, Major Holdings, Directors Remuneration Report, Corporate Governance and Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards of the state of affairs of the Company as at 28 February 2010 and of its profit for the year ended 28 February 2010, and have been properly prepared in accordance with the Companies (Guernsey) Law 2008.

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

17 May 2010

Statement of Comprehensive Income

For the year ended 28 February 2010

	Notes	Year ended 28 February 2010 Revenue return US$'000	Capital return US$'000	Total US$'000	Period from incorporation 14 April 2008 to 28 February 2009 Revenue return US$'000	Capital return US$'000	Total US$'000
Income							
Net gain/(loss) on investments at fair value through profit or loss	5	–	26,726	26,726	–	(83,920)	(83,920)
Net write back of impairments/ (impairments) on loans and receivables	6	–	6,113	6,113	–	(18,053)	(18,053)
Realised gains on investments held in escrow accounts		–	–	–	–	4,102	4,102
Net foreign currency exchange gains/(losses)	7	–	3,839	3,839	–	(3,849)	(3,849)
Investment income	8	37,614	–	37,614	24,236	–	24,236
Bank and deposit interest	9	450	–	450	869	–	869
		38,064	36,678	74,742	25,105	(101,720)	(76,615)
Expenses							
Formation costs	11	–	–	–	–	(267)	(267)
Investment Adviser's base fee	11	(4,866)	(2,620)	(7,486)	(3,235)	(1,742)	(4,977)
Administrative expenses	11	(2,398)	–	(2,398)	(1,524)	–	(1,524)
		(7,264)	(2,620)	(9,884)	(4,759)	(2,009)	(6,768)
Operating profit/(loss)		30,800	34,058	64,858	20,346	(103,729)	(83,383)
Finance costs							
Finance costs in respect of Zero Dividend Preference shares	10	–	(7,668)	(7,668)	–	(7,851)	(7,851)
Profit/(loss) before taxation		30,800	26,390	57,190	20,346	(111,580)	(91,234)
Witholding taxes	12	(231)	–	(231)	(758)	–	(758)
Profit/(loss) for the year/period		30,569	26,390	56,959	19,588	(111,580)	(91,992)
Weighted average number of Ordinary shares in issue during year/period*	24			51,460,900			21,226,007
Basic and diluted profit/(loss) per Ordinary share using the weighted average number of Ordinary shares in issue during the year/period		59.40c	51.28c	110.68c	92.28c	(525.68)c	(433.39)c

*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/(loss) for the year/period is attributable to the Ordinary shareholders of the Company.
The Company's investment activities commenced on 1 July 2008 upon transfer of investments following the liquidation of JZEP.
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 2010

	Notes	28 February 2010 US$'000	28 February 2009 US$'000
Assets			
Investments at fair value through profit or loss	13	311,436	264,558
Investments classified as loans and receivables	13	83,239	69,342
Other receivables	15	682	2,017
Cash and cash equivalents	14	134,867	104,728
Total assets		530,224	440,645
Liabilities			
Zero Dividend Preference shares	17	71,399	137,858
Forward currency derivative contract		–	45,366
Other payables	16	1,312	437
Total liabilities		72,711	183,661
Equity	20		
Share capital account		149,269	–
Share premium account		–	353,365
Distributable reserve		353,517	–
Capital reserve		(85,190)	(111,580)
Revenue reserve		39,917	15,199
Total equity		457,513	256,984
Total liabilities and equity		530,224	440,645
Number of Ordinary shares in issue at year/period end	18	65,018,610	97,527,916
Net asset value per Ordinary share	25	US$7.04	US$13.18*

*Restated to reflect 1 for 5 share consolidation on 22 June 2009.

These audited financial statements were approved by the Board of Directors and authorised for issue on 17 May 2010. 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 2010

	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 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	20	–	(353,365)	353,365	–	–	–	–
Issue of Ordinary shares	18	77,008	–	–	–	–	–	77,008
Issue of Limited Voting Ordinary shares	18	72,261	–	–	–	–	–	72,261
Dividend paid	31	–	–	–	–	–	(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

Comparative for the period from 14 April 2008 to 28 February 2009

	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 14 April 2008		–	–	–	–	–	–	–
(Loss)/profit for the period		–	–	–	(5,758)	(105,822)	19,588	(91,992)
Issue of Ordinary shares	18	–	353,376	–	–	–	–	353,376
Dividend paid	31	–	–	–	–	–	(4,389)	(4,389)
Increase in receivables relating to JZ Equity Partners Plc		–	(11)	–	–	–	–	(11)
Balance at 28 February 2009		–	353,365	–	(5,758)	(105,822)	15,199	256,984

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 2010

	Notes	28 February 2010 US$'000	28 February 2009* US$'000
Operating activities			
Net cash inflow from operating activities	26	10,047	3,385
Cash outflow from purchase of investments		(13,484)	(10,234)
Cash inflow from repayment of investments		3,594	1,472
Cash inflow from realised prior year payment in kind ("PIK")		1,405	–
Cash inflow from investments held in escrow accounts		–	4,102
Net cash inflow/(outflow) before financing activities		1,562	(1,275)
Financing activity			
Proceeds from issue of Ordinary shares		156,365	110,392
Issue costs relating to the issue of Ordinary shares		(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		292	–
Distributions paid to shareholders		(5,851)	(4,389)
Net cash inflow from financing activities		28,577	106,003
Increase in cash and cash equivalents		30,139	104,728
Reconciliation of net cash flow to movements in cash and cash equivalents			
Cash and cash equivalents at 1 March 2009 / 14 April 2008		104,728	–
Increase in cash and cash equivalents as above		30,139	104,728
Cash and cash equivalents at year/period end	14	134,867	104,728

*Comparative for the period from incorporation 14 April 2008 to 28 February 2009.

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 subject to the Companies (Guernsey) Law, 2008, which came in to effect on 1 July 2008. The Company's Share Capital consists of Ordinary shares and Zero Dividend Preference ("ZDP") shares. The Ordinary shares and ZDP shares were admitted to the official list of the London Stock Exchange on 1 July 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 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).

Limited Voting Ordinary Shares ("LVO") 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. The LVO shares are not listed and are not admitted to trade on or through the facilities of the London Stock Exchange.

During the year, 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 requires the closed ended funds to elect to be either a registered or authorised fund. The Company has 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, 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 Company successfully refinanced its ZDP shares (note 17) and completed its equity fund raising (note 18), in June 2009, restoring the strength of the balance sheet. As a result 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 2009:

IFRS 8 Operating Segments

IAS 1 (Revised 2007) Presentation of Financial Statements

Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments.

The principal effect of these changes is as follows:

IFRS 8 Operating Segments

This standard is effective for accounting periods beginning on or after 1 January 2009, it requires disclosure of information about the Company's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company.

IAS 1 (Revised 2007) Presentation of Financial Statements

The standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005. The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009 with early application permitted.

The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Company chose to present one single statement of comprehensive income. The grouping of several line items classified within expenses has been amended in order to reflect management reporting.

The Company does not have any components of other comprehensive income. Therefore, comprehensive income is equal to the net profit/(loss) reported for all periods presented.

Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The amendments to IFRS 7 were issued in March 2009 and became effective for annual periods beginning on or after 1 January 2009, with early application permitted. The Company has adopted these amendments with effect from 1 March 2009. The amendment to IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In addition the amendment revises the specified minimum liquidity risk disclosures including amongst others the contractual maturity of non derivative and derivative financial liabilities, and a description of how this is managed.

In the first year of adoption comparative information is not required.

The following standards, amendments and interpretations are effective from 2009 but had no impact on the financial position or performance of the Company:

Amendment to IFRS 2 Share-based Payments – Vesting Conditions and Cancellations.

Amendment to IAS 23 Borrowing Costs.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement.

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation.

IFRS 9 Financial Instruments – Recognition and Measurement: Cash flow hedge accounting.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation – Amendment to the restriction on the entity that can hold hedging instrument.

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Changes in accounting policy and disclosures continued

The following standards, amendments and interpretations are not effective and are not expected to have material impact on the financial position or performance of the Company:

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

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged items.

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

IFRIC Interpretation 17 Distributions of Non-Cash Assets to Owners.

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

Functional and presentational currency

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

Derivatives

The Company may use derivatives for the purpose of efficient portfolio management, including for hedging purposes and potentially in order to take a synthetic exposure to an investment position in circumstances where the derivative contract is more efficient than a position would be in the underlying security. Open forward currency contracts are valued at the relevant exchange rate on that day.

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. All derivatives are included in this category.

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.

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 14.

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Financial assets and financial liabilities continued

(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.

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.

Incentive fee provision

A provision is recognised where the Company has a legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required in the future. Under the advisory agreement, the Company has no obligation to pay an incentive fee to the Investment Adviser as at 28 February 2010.

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.

Notes to the Financial Statements

Continued

2. Significant Accounting Policies continued

Financial assets and financial liabilities continued

(b) Loans and receivables continued

Expenses

Investment Adviser's basic fees are allocated 65% to revenue and 35% to realised capital reserve. This represents the Director's expectations of the long term split between revenue and capital. The incentive fee is attributed to those parts to which it relates.

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

- Portfolio of 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.

Segmental operating profit/(loss)

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/(loss)	9,122	18,234	10,142	2,504	22,965	62,967

Notes to the Financial Statements

Continued

3. Segment Information continued

Segmental operating (loss)/profit

For the period from incorporation 14 April 2008 to 28 February 2009

	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	2,807	7,275	10,174	1,412	–	21,668
Dividend revenue	–	–	–	–	2,527	2,527
Other revenue	–	–	–	41	–	41
Net loss on investments at fair value through profit or loss	(25,670)	–	(30,426)	–	(27,824)	(83,920)
Impairments on loans and receivables	–	(18,053)	–	–	–	(18,053)
Realised gains on investments held in escrow accounts	–	–	3,641	461	–	4,102
Investment Adviser's base fee	(449)	(1,081)	(2,168)	(402)	(878)	(4,977)
Total segmental operating (loss)/profit	(23,312)	(11,859)	(18,779)	1,512	(26,175)	(78,612)

Segmental assets

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

Segmental assets

At 28 February 2009

	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	28,215	1,636	158,263	29,180	47,264	264,558
Investments classified as loans and receivables	–	69,342	–	–	–	69,342
Total segmental assets	28,215	70,978	158,263	29,180	47,264	333,900

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.

	Year ending 28/02/2010 US$'000	Period ending 28/02/2009 US$'000
Net reportable segment profit/(loss)	62,967	(78,612)
Net foreign exchange gains/(losses)	3,839	(3,849)
Interest on cash	450	869
Expenses not attributable to segments	(2,398)	(1,791)
Operating profit/(loss)	64,858	(83,383)

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.

Notes to the Financial Statements

Continued

3. Segment Information continued

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

	28/02/2010 US$'000	28/02/2009 US$'000
Total segmental assets	394,675	333,900
Cash and cash equivalents	134,867	104,728
Other receivables and prepayments	682	2,017
Total assets	530,224	440,645
Total segmental liabilities	–	–
Other payables and accrued expenses	(72,711)	(183,661)
Total liabilities	(72,711)	(183,661)

Other information

Geographical segment

The Directors are of the opinion that the Company is engaged in a single geographical segment. All the investments are issued by companies operating and generating revenue in the United States and therefore no geographical segment analysis is provided.

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 14. 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 14. The key estimation is the impairment review and the key assumptions as disclosed in note 2.

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

	Year ended 28/02/2010 US$'000	Period ended 28/02/2009 US$'000
Net unrealised gain/(loss) in year/period	25,958	(83,920)
Proceeds from investments repaid	3,509	1,472
Cost of investments repaid	(2,741)	(1,472)
Cost of investments written off	(423)	–
Unrealised loss in prior period now realised	423	–
Net realised gain in year/period	768	–
Net gain/(loss) on investments in year/period	26,726	(83,920)

Notes to the Financial Statements

Continued

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

	Year ended 28/02/2010 US$'000	Period ended 28/02/2009 US$'000
Net write back of impairments/(impairments) on loans and receivables	6,113	(18,053)
Proceeds from investments repaid	85	–
Cost of investments repaid	(85)	–
Cost of investments written off	(14,553)	–
Unrealised loss in prior period now realised	14,553	–
Net realised gain	–	–
Net write back of impairments/(impairments) on loans and receivables	6,113	(18,053)

7. Net Foreign Currency Exchange Gains/(Losses)

	Year ended 28/02/2010 US$'000	Period ended 28/02/2009 US$'000
Net gains/(losses) on forward foreign exchange contract	18,443	(56,056)
Net (losses)/gains on foreign currency translations	(14,604)	52,207
	3,839	(3,849)

8. Investment Income

	Year ended 28/02/2010 US$'000	Period ended 28/02/2009 US$'000
Income from investments classified as FVTPL	24,689	16,961
Income from investments classified as loans and receivables	12,925	7,275
	37,614	24,236

Income for the year ended 28 February 2010

		Preference Dividend		Bank Debt	Loan Note			
	Dividends US$'000	PIK US$'000	Cash US$'000	Interest US$'000	PIK US$'000	Cash US$'000	Other 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	–	2,942	11,856	11,391	2,027	37,614

Notes to the Financial Statements

Continued

8. Investment Income continued

Income for the period from incorporation 14 April 2008 to 28 February 2009*

		Preference Dividend		Bank Debt	Loan Note			
	Dividends	PIK	Cash	Interest	PIK	Cash	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
1st and 2nd Lien bank debt	–	–	–	2,807	–	–	–	2,807
Mezzanine portfolio	–	79	–	–	3,578	3,618	–	7,275
Micro Cap portfolio	–	4,119	–	–	2,368	3,687	–	10,174
Legacy portfolio	–	–	40	–	1,372	–	–	1,412
Listed investments	2,527	–	–	–	–	–	–	2,527
Other	–	–	–	–	–	–	41	41
	2,527	4,198	40	2,807	7,318	7,305	41	24,236

Interest on investments is shown net of a US$6,543,000 (period ended 28 February 2009: US$5,468,000) write down calculated in accordance with the Company's accounting and valuation policy.

* Trading period for the eight months from 1 July 2008 (upon transfer of assets from JZEP) to 28 February 2009.

9. Bank and Deposit Interest

	Year ended 28/02/2010	Period ended 28/02/2009
	US$'000	US$'000
Other operating income arising on financial assets not at fair value through profit or loss:		
Interest on short term fixed deposits	57	669
Bank interest	393	200
	450	869

10. Finance Costs

	Year ended 28/02/2010	Period ended 28/02/2009
	US$'000	US$'000
Finance costs arising on financial liabilities measured at amortised costs:		
Finance costs on old Zero Dividend Preference shares redeemed on 22 June 2009	3,780	7,851
Finance costs on new Zero Dividend Preference shares issued on 22 June 2009	3,888	–
	7,668	7,851

The ZDP Shares have no right to any of the income available for distribution but have an entitlement, on a predetermined growth basis, to the available assets at any winding-up date prior to 22 June 2016. The original ZDP shares were redeemed at 215.80 pence on 22 June 2009. The new ZDP shares were issued at 215.80 pence on 22 June 2009 and will have a pre-determined final capital entitlement of 369.84 pence on 22 June 2016. The new ZDP shares' final capital entitlement is calculated using a rate equal to 8% return compounding on a monthly basis. Finance costs are allocated to the statement of comprehensive income using the effective interest rate method.

Notes to the Financial Statements

Continued

11. Expenses

	Year ended 28/02/2010 US$'000	Period ended 28/02/2009 US$'000
Investment adviser's base fee	7,486	4,977
Administrative expenses		
Legal and professional fees	906	451
Other expenses	579	271
Directors' remuneration	325	286
Accounting, secretarial and administration fees	401	324
Auditors' remuneration	184	187
Custodian fees	3	5
	2,398	1,524
Formation costs	–	267
Total expenses	9,884	6,768

Directors fees

The Chairman is entitled to a fee of US$85,000 per annum. Each of the other Directors are entitled to a fee of US$60,000 per annum. For the year ended 28 February 2010 total Directors' fees included in the statement of comprehensive income were US$325,000 (period from incorporation 14 April 2008 to 28 February 2009: US$286,000), of this amount US$54,000 was outstanding at the year end (28 February 2009: US$53,450) and included within Other Payables.

The Chairman was paid an additional fee of US$112,500 within the year, 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.

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.

For the year ended 28 February 2010 total Investment advisory and management expenses were included in the statement of comprehensive income of US$7,486,000 (period from incorporation 14 April 2008 to 28 February 2009: US$4,977,000). At 28 February 2010 the Company had prepaid the Investment Adviser by US$484,022 (28 February 2009: US$364,000) and this amount was included within Other Receivables.

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 in arrears. Fees payable are subject to an annual fee review. For the year ended 28 February 2010 total expenses payable to the Administrator of US$401,000 (period from incorporation 14 April 2008 to 28 February 2009: US$324,000) were included in the statement of comprehensive income, of this amount US$67,000 (28 February 2009: US$65,000) was outstanding at the year end and is included within Other Payables. Additional fees were payable to the Administrator of GBP60,000 within the year, 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.

Notes to the Financial Statements

Continued

11. Expenses continued

Auditors' remuneration

Additional fees were payable to the Auditor of GBP245,000 within the year, 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.

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 2010 total expenses were included in the statement of comprehensive income of US$3,000 (period from incorporation 14 April 2008 to 28 February 2009: US$5,000) of which US$2,000 (28 February 2009: US$1,000) was outstanding at the year end and is included within Other Payables.

12. Taxation

With effect from 1 January 2008, the standard rate of income tax for companies in Guernsey moved from 20% to 0% under the Income Tax (Zero Ten) (Guernsey) Law, 2007 passed by the States of Guernsey on 26 September 2007. Close-ended investment vehicles such as the Company can continue to apply for exempt status for Guernsey tax purposes. Alternatively they may choose to automatically become tax resident, paying the nil rate. The Company elected for exempt status on incorporation.

For the year ended 28 February 2010 the Company suffered withholding tax of US$231,000 (period from incorporation 14 April 2008 to 28 February 2009: US$758,000) on dividend income from listed investments.

13. Investments

Categories of financial instruments

	Listed 28/02/2010 US$'000	Unlisted 28/02/2010 US$'000	Carrying 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

	Listed 28/02/2009 US$'000	Unlisted 28/02/2009 US$'000	Carrying value 28/02/2009 US$'000
Fair value through profit or loss (FVTPL)	47,264	217,294	264,558
Loans and receivables	–	69,342	69,342
	47,264	286,636	333,900

14. Cash and Cash Equivalents

	28/02/2010 US$'000	28/02/2009 US$'000
Cash at bank	134,867	74,909
Fixed deposits	–	29,819
	134,867	104,728

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.

Notes to the Financial Statements

Continued

15. Other Receivables

	28/02/2010 US$'000	28/02/2009 US$'000
Accrued dividend income on listed investments	324	1,121
Due from the liquidation of JZEP	291	431
Bank and deposit interest	38	13
Other prepayments	29	88
Prepayment of Investment Adviser's fee	–	364
	682	2,017

16. Other Payables

	28/02/2010 US$'000	28/02/2009 US$'000
Investment Adviser's fee	484	–
Costs relating to issue of shares	297	–
Legal fees	240	94
Other expenses	92	110
Auditors' remuneration	78	115
Fees due to administrator	67	65
Directors' remuneration	54	53
	1,312	437

17. Zero Dividend Preference ("ZDP") Shares

Authorised capital

Unlimited number of ZDP shares of no par value.

	28/02/2010 US$'000	28/02/2009 US$'000
ZDP shares redeemed 22 June 2009		
Amortised cost at 1 March 2009 and at 1 July 2008	137,858	182,214
Finance costs allocated to statement of comprehensive income	3,780	7,851
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	–
Unrealised currency gain on translation at year/period end	–	(52,207)
Attributable net assets at 28 February 2010 / 28 February 2009	–	137,858
ZDP shares issued 22 June 2009		
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	3,888	–
Unrealised currency gain on translation at year/period end	(5,247)	–
Attributable net assets at 28 February 2010 / 28 February 2009	71,399	–
Total number of ZDP shares in issue	20,707,141	45,662,313
Price per ZDP share US$	US$3.4633	US$3.0191
Price per ZDP share GBP	GBP2.2731	GBP2.1043

Notes to the Financial Statements

Continued

17. Zero Dividend Preference ("ZDP") Shares continued

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	28/02/2010 Number of shares	28/02/2010 US$'000	28/02/2009 Number of shares	28/02/2009 US$'000
Balance brought forward	97,527,916	–	–	–
Issued during year/period	117,037,749	–	97,527,916	–
Share consolidation 1 for 5	(171,652,533)	–	–	–
Total Ordinary shares in issue	42,913,132	–	97,527,916	–

Limited Voting Ordinary shares – Issued capital	28/02/2010 Number of shares	28/02/2010 US$'000	28/02/2009 Number of shares	28/02/2009 US$'000
Issued during year	110,527,388	–	–	–
Share consolidation 1 for 5	(88,421,910)	–	–	–
Total Limited Voting Ordinary shares in issue	22,105,478	–	–	–
Total shares in issue	65,018,610	–	97,527,916	–

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.

Notes to the Financial Statements

Continued

18. Share Capital continued

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.

19. Capital Management

The Company's capital is represented by the Ordinary shares and Zero Dividend Preference ("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 Ordinary and Zero Dividend Preference 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 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.

Share Capital Account

	28/02/2010 US$'000	28/02/2009 US$'000
New Ordinary shares issued in year	80,419	–
Limited Voting Shares issued in year	75,946	–
Issue costs	(7,096)	–
As at 28 February 2010 / 28 February 2009	149,269	–

Notes to the Financial Statements

Continued

20. Reserves continued

Share Premium Account

	28/02/2010 US$'000	28/02/2009 US$'000
Net assets received from the liquidation of JZEP in consideration for Ordinary Shares	–	353,376
At 1 March 2009	353,365	–
Increase in provisions/receivables relating to JZ Equity Partners Plc	–	(11)
Transfer to distributable reserve	(353,365)	–
As at 28 February 2010 / 28 February 2009	–	353,365

Distributable reserve

	28/02/2010 US$'000	28/02/2009 US$'000
Transfer from Share Premium	353,365	–
Increase in provisions/receivables relating to JZ Equity Partners Plc	152	–
As at 28 February 2010 / 28 February 2009	353,517	–

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.

	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	–	32,839	32,839
Unrealised net foreign currency exchange losses	–	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 shares	(7,668)	–	(7,668)
At 28 February 2010	(21,385)	(63,805)	(85,190)

	Realised 28/02/2010 US$'000	Unrealised 28/02/2010 US$'000	Total 28/02/2010 US$'000
At 14 April 2008			
Unrealised losses on investments	–	(101,973)	(101,973)
Unrealised loss on derivative financial instrument	–	(56,056)	(56,056)
Unrealised gain on translation of foreign currency	–	52,207	52,207
Realised gains on amounts received held in escrow accounts	4,102	–	4,102
Expenses charged to capital	(2,009)	–	(2,009)
Finance costs in respect of Zero Dividend Preference shares	(7,851)	–	(7,851)
At 28 February 2009	(5,758)	(105,822)	(111,580)

Notes to the Financial Statements

Continued

20. Reserves continued

Revenue reserve

	28/02/2010 US$'000	28/02/2009 US$'000
At 1 March 2009 and 14 April 2008	15,199	–
Profit for the year/period attributable to revenue	30,569	19,588
Dividend paid	(5,851)	(4,389)
	39,917	15,199

Summary of reserves attributable to Ordinary Shareholders

	28/02/2010 US$'000	28/02/2009 US$'000
Share Premium Account	–	353,365
Distributable reserve	353,517	–
Share Capital Account	149,269	–
Capital reserve	(85,190)	(111,580)
Revenue reserve	39,917	15,199
	457,513	256,984

21. Financial Instruments

Categories of financial instruments

	Carrying Value 28/02/2010 US$'000	Carrying Value 28/02/2009 US$'000
Financial assets		
Fair value through profit or loss (FVTPL)	311,436	264,558
Loans and receivables	83,239	69,342
Trade receivables	682	2,017
Cash and cash equivalents	134,867	104,728
Total assets	530,224	440,645
Financial liabilities		
Valued at amortised cost		
– Zero Dividend Preference ("ZDP") shares issued 22 June 2009	(71,399)	–
– Zero Dividend Preference ("ZDP") shares redeemed 22 June 2009	–	(137,858)
Held for trading		
– Derivative instruments	–	(45,366)
Trade payables	(1,312)	(437)
Total liabilities	(72,711)	(183,661)

Derivative instruments in the above comparative period represent a forward foreign exchange contract to hedge exposure to movement in foreign exchange rates in respect of the liabilities on ZDP shares which were redeemed on 22 June 2009.

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.

Notes to the Financial Statements

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

Risk mitigation

The Company's prospectus sets out it's 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.

Although the Company has no direct investments in mortgages or sub-prime debt, the current economic conditions have led to a general economic downturn in the United States where the Company is active and in which its portfolio investments are located. A general economic downturn in these markets could have an adverse effect on the Company's portfolio, which would impact interest income, gains on investments and the level of impairment provisions on loans and receivables.

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 Directors considers each investment purchase to ensure that an acquisition will enable the Company to continue to have an appropriate spread of market risk and that an appropriate risk/reward profile is maintained.

Equity price risk (listed investments)

Equity price risk is the risk of unfavourable changes in the fair values of equity investments as the result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The company has three equity investments valued at US$69,642,000 (28 February 2009: US$47,264,000) 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 28/02/2010 US$'000	Effect on net assets attributable to shareholders 28/02/2010 US$'000
NYSE	10%	26,782	2,678
NASDAQ	10%	42,860	4,286
		69,642	6,965

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Equity price risk (listed investments) continued

Markets	Change in indices	Carrying value of listed equities 28/02/2009 US$'000	Effect on net assets attributable to shareholders 28/02/2009 US$'000
NYSE	10%	11,046	1,105
NASDAQ	10%	36,218	3,622
		47,264	4,727

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

Industry	Percentage of Equity Securities 28/02/2010 US$'000	28/02/2009 US$'000
Property and Casualty Insurance	61.5%	76.6%
Education and Training Services	2.4%	1.6%
Rental and Leasing Services	36.1%	21.8%
	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 EBITDA 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.

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$1,082,000 (period ended 28 February 2009: losses of US$10,346,000).

The table below analyses the Company's concentration of common stock private investments by industrial distribution and the Management's best estimate of the effect on the net assets attributable to shareholders and on the increase/(decrease) in profit for the year/period 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 28/02/2010	Percentage of total common stock of private investments 28/02/2010 US$'000	Change in EBITDA	Effect on net assets attributable to shareholders 28/02/2010 US$'000
Dental Services and Products	11,700	36%	10% /-10%	3,775 / (3,775)
Apparel	12,088	37%	10% /-10%	1,387 / (1,387)
Specialized 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

Equity price risk (unlisted investments) continued

Industry	Carrying value 28/02/2009	Percentage of total common stock of private investments 28/02/2009 US$'000	Change in EBITDA	Effect on net assets attributable to shareholders 28/02/2009 US$'000
Dental Services and Products	7,700	24%	10% /-10%	3,652 / (1,818)
Apparel	12,085	38%	10% /-10%	1,845 / (1,845)
Specialized Equipment Manufacturers	8,100	27%	10% /-10%	1,674 / (1,674)
Pet Supplies	1,636	5%	10% /-10%	n/a
Industrial Investment Firms	975	3%	10% /-10%	n/a
Chemical	587	2%	10% /-10%	n/a
Strategic Workforce Solutions	300	1%	10% /-10%	n/a
Other	54	0%	10% /-10%	0 / (39)
	31,437	100%		7,171 / (5,376)

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 Directors believe 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 28/02/2010 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

	Fixed rate 28/02/2009 US$'000	Floating rate 28/02/2009 US$'000	Non-interest bearing 28/02/2009 US$'000	Total 28/02/2009 US$'000
Investments at fair value through profit or loss	157,642	28,215	78,701	264,558
Loans and receivables	69,342	–	–	69,342
Other receivables and prepayments	–	–	2,017	2,017
Cash and cash equivalents	29,819	74,909	–	104,728
Zero Dividend Preference shares	(137,858)	–	–	(137,858)
Forward currency derivative contract	(45,366)	–	–	(45,366)
Other payables	–	–	(437)	(437)
Total net assets	73,579	103,124	80,281	256,984

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.

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Interest rate risk continued

Of the money held on deposit, US$134,687,000 (28 February 2009: US$74,909,000) earns interest at variable rates and the income may rise and fall depending on changes to interest rates. US$ nil (28 February 2009: US$29,819,000) is held on fixed deposit and whilst the return is guaranteed future fixed term interest rates may fluctuate. Fixed deposits have a maturity date of less than three months.

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

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

The sensitivity of the profit/(loss) 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 2010 and eight month period to 28 February 2009, on accounts where cash is held.

The sensitivity of the profit/(loss) 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	
	28/02/2010 US$'000	28/02/2009 US$'000	28/02/2010 US$'000	28/02/2009 US$'000
+25 / -25	312 / (265)	229 / (201)	153 / (153)	111 / (111)
+100 / -100	1,005 / (461)	1,565 / (295)	614 / (614)	444 / (444)

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

	0–3 months 28/02/2010 US$'000	4–12 months 28/02/2010 US$'000	1–2 years 28/02/2010 US$'000	2–5 years 28/02/2010 US$'000	More than 5 years 28/02/2010 US$'000	No maturity date 28/02/2010 US$'000	Non-interest bearing 28/02/2010 US$'000	Total 28/02/2010 US$'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

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Interest rate risk continued

	0–3 months 28/02/2009 US$'000	4–12 months 28/02/2009 US$'000	1–2 years 28/02/2009 US$'000	2–5 years 28/02/2009 US$'000	More than 5 years 28/02/2009 US$'000	No maturity date 28/02/2009 US$'000	Non-interest bearing 28/02/2009 US$'000	Total 28/02/2009 US$'000
Cash and cash equivalents	104,728	–	–	–	–	–	–	104,728
Financial asset at fair value through profit or loss	–	–	10,571	54,219	31,555	89,512	78,701	264,558
Loans and receivables	–	–	4,083	41,193	24,066	–	–	69,342
Zero Dividend Preference shares	–	(137,858)	–	–	–	–	–	(137,858)
Forward currency deals awaiting settlement	–	–	–	–	–	–	(45,366)	(45,366)
Other receivables /payables	–	–	–	–	–	–	1,580	1,580
	104,728	(137,858)	14,654	95,412	55,621	89,512	34,915	256,984

The Directors monitor 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 AFVPL, debt investments, loans and receivables, cash and cash equivalents and derivatives.

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

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

In accordance with the Company's policy, the Directors monitor the Company's credit position on a regular basis, through the investment adviser 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 28/02/2010 US$'000	Total 28/02/2009 US$'000
Bank debt	35,589	28,895
Legacy portfolio debt	17,660	29,180
Mezzanine debt	83,239	70,978
Micro Cap debt	155,803	158,263
Cash and cash equivalents	134,867	104,728
Accrued dividend income	324	1,121
	427,482	393,165

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$12,640,000 (period ended 28 February 2009: US$7,275,000) interest receivable on investments classified as loans and receivables US$6,193,000 (28 February 2009: US$3,657,000) was receivable in the form of PIK Investments. There is no collateral held in respect of Mezzanine debt forming the loans and receivables.

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Credit risk continued

The Company will restrict exposure to credit losses on the derivative instrument it holds by entering into a master netting arrangements with the counterparty. Such an arrangement provides for a single net settlement of the financial instrument covered by the agreement in the event of default.

An impairment review is performed on a bi-annual and/or quarterly basis and this impairment review is further considered by the Directors on an investment by investment basis.

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

	28/02/2010 US$'000	28/02/2009 US$'000
Balance at beginning of year / period	(29,035)	(10,982)
Impairment on PIK valued at nil	(4,319)	–
Impairment write back / (impaired loss) recognised in SCI	6,113	(18,053)
Balance at year / period end	(27,241)	(29,035)

A provision of US$4,394,000 (period ended 28 February 2009: US$1,596,000) was offset against total interest of US$17,034,000 (period ended 28 February 2009: US$8,871,000) 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.

	Directors' valuation			Directors' valuation		
	Impaired 28/02/2010 US$'000	Past due 28/02/2010 US$'000	Total 28/02/2010 US$'000	Impaired 28/02/2009 US$'000	Past due 28/02/2009 US$'000	Total 28/02/2009 US$'000
Legacy portfolio	–	–	–	–	1,674	1,674
Mezzanine portfolio	4,250	–	4,250	15,500	–	15,500
Total	4,250	–	4,250	15,500	1,674	17,174

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

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

Bank debt designated at fair value through profit or loss

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

	Percentage of debt instruments	
Credit rating – Bank debt First and Second Lien	28/02/2010	28/02/2009
B	10%	–
B+	5%	6%
BB-	20%	25%
B-	3%	3%
CCC+	35%	29%
No rating	27%	37%
	100%	100%

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 continued

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

	28/02/2010 US$'000	28/02/2009 US$'000
Healthcare Services & Equipment	27%	33%
House, Leisure & Personal Goods	12%	14%
Construction & Materials	26%	20%
Support Services	25%	24%
Industrial Engineering	7%	5%
Electronic & Electrical Equipment	2%	3%
Tech – Software Services	1%	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	28/02/2010 US$'000	28/02/2009 US$'000
HSBC Bank USA NA	Negative	AA	134,588	29,818
Butterfield Bank (Guernsey) Limited	Stable	A-	279	266
JP Morgan Chase & Co	Negative	AA-	–	74,644
			134,867	104,728

Bankruptcy or insolvency of the Banks may cause the Company's rights with respect to these assets to be delayed or limited. The Directors monitor 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$10,541,000 (28 February 2009: US$4,331,000) (being 42% of TAL International Group, Inc.) whilst the majority of the investment in Universal Technical Institute, Inc. has been sold, Jordan/Zalaznick Advisers, Inc. ("JZAI") is looking for the opportunity to realise Safety Insurance and TAL International Group, Inc. subject to market conditions.

Notes to the Financial Statements

Continued

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 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	–

At 28 February 2009	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
Forward currency derivative contract	–	188,820	–	–	–
Other payables	119	318	–	–	–
Zero Dividend Preference shares	–	137,858	–	–	–
	119	326,996	–	–	–

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 2010 the liability to the ZDP shareholders amounted to US$71,399,000. The Company will manage the amounts of cash and cash equivalents held by the Company in order to meet its obligations at redemption date.

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. At 28 February 2009 the exposure to the ZDP liability was managed by the Directors due to a forward currency contract in place at the time.

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

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 assets 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

Notes to the Financial Statements

Continued

22. Financial Risk and Management Objectives and Policies continued

Currency risk continued

At 28 February 2009	US Dollar 28/02/2009 US$'000	GB Sterling 28/02/2009 US$'000	Total 28/02/2009 US$'000
Assets			
Financial assets at fair value through profit or loss	264,558	–	264,558
Loans and receivables	69,342	–	69,342
Other receivables	1,498	519	2,017
Cash and cash equivalents	104,728	–	104,728
Total assets	440,126	519	440,645
Liabilities			
Zero Dividend Preference shares	–	137,858	137,858
Forward currency derivative contract	188,820	(143,454)	45,366
Other payables	249	188	437
Total liabilities	189,069	(5,408)	183,661
Net currency exposure	251,057	5,927	256,984

23. Fair Value of Financial Instruments

The Company adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The financial assets valued at fair value are analysed in a fair value hierarchy based on the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Those involving inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Those involving inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

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

Financial assets at 28 February 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

Notes to the Financial Statements

Continued

23. Fair Value of Financial Instruments continued

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

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

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

Transfers between levels

There were no transfers between the levels of hierarchy of financial assets recognised at fair value within the year ended 28 February 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 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
Disposals	–	–	(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.

	Bank Debt US$'000	Mezzanine Portfolio US$'000	Micro Cap Portfolio US$'000	Legacy Portfolio US$'000	Total US$'000
Interest revenue	2,942	12,641	15,709	2,387	33,679
Net gain/(loss) on investments at fair value through profit or loss	(1,623)	821	(2,337)	(1,756)	(4,895)
	1,319	13,462	13,372	631	28,784

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

The potential effect of using reasonably possible alternative assumptions for valuing financial instruments classified as Level 3 at the reporting date would reduce the fair value by up to US$6,510,000 or increase the fair value by 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 2010 the ask price was £2.5150 (28 February 2009: £2.035) per share the total fair value of the ZDP shares was US$79,346,741 (28 February 2009: US$133,321,000) which is US$7,632,010 higher (28 February 2009: US$4,537,000 lower) 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 2010 was US$83,239,000 (28 February 2009: US$69,342,000).

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

Notes to the Financial Statements

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24. Basic and Diluted Earnings Per Share

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

The weighted average number of shares has been calculated as follows:

	28/02/2010	Restated 28/02/2009
	Number of Ordinary shares	
Qualifying shares at beginning of the year before the 1 for 5 share consolidation (See Note 18)	325,093,053	97,527,916
Qualifying shares at beginning of the year after the 1 for 5 share consolidation and after time apportionment	50,928,276	19,505,583
Effect of the bonus element of the new shares issued	532,624	1,720,424
Weighted average number of Ordinary shares	51,460,900	21,226,007

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 of shares for the year 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*. The weighted average of the number of Ordinary shares in issue during the period ended 28 February 2009 have been restated assuming they were also subject to the one share for five consolidation and the 1.09 adjustment factor representing the bonus element of the new shares being issued at a discount.

*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$7.04 is based on the net assets at the year end of US$457,513,000 and on 65,018,610 Ordinary shares, being the number of Ordinary shares in issue at the year end. The net asset value per share at 28 February 2009 of US$13.18 is based on the net assets at the year end of US$256,984,000 and on 19,505,583 Ordinary shares, being the number of Ordinary shares in issue at 28 February 2009 adjusted for the 1 for 5 share consolidation on 22 June 2009. The net asset value per Ordinary share previously reported at 28 February 2009 was US$2.63.

26. Notes to the Cash Flow Statement

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

	Year ended 28/02/2010 US$'000	Period ended 28/02/2009 US$'000
Profit/(loss) for the year/period	56,959	(91,992)
Cash inflow from investments held in escrow accounts	–	(4,102)
Increase in other payables	578	437
Decrease/(increase) in receivables relating to operating activities	1,195	(1,538)
Net unrealised gains/(losses)	(32,071)	101,973
Net foreign currency exchange gains/(losses)	(3,839)	3,849
Realised gain on investments	(768)	–
Realised loss on foreign exchange translation	(317)	–
Interest on investments received as PIK adjusted for increase in accrued interest	(19,358)	(13,093)
Finance costs in respect of Zero Dividend Preference shares	7,668	7,851
Net cash from operating activities	10,047	3,385

Notes to the Financial Statements

Continued

26. Notes to the Cash Flow Statement continued

Investment income received during the year

	Year ended 28/02/2010 US$'000	Period ended 28/02/2009 US$'000
Interest on investments	15,633	8,575
Interest on short term fixed deposits	70	669
Dividends from listed investments	2,705	648
Bank interest	355	188
Other income	2,027	41
	20,790	10,121

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 2010. At 28 February 2009 the Company had an outstanding forward foreign exchange contract to purchase £100,000,000 at the contracted rate of £1: US$1.8882 which was settled during the year realising a loss of US$26,923,000.

28. Related Party Transactions

The remuneration of the Directors is disclosed in Note 11.

In March 2004, JZEP invested US$17,500 in shares of JII Holdings LLC, a subsidiary of Jordan Industries, Inc (Transferred to JZCP on 1 July 2008). The Company did not receive any income from this investment during the year ended 28 February 2010.

In November 2001, JZEP invested US$15,279 in the Common Stock of JZ International LLC ("JZI") a company managed by affiliates Jordan/Zalaznick Advisers, Inc. In 2007, a further investment was made by JZEP in JZI of US$ 424,417 in Convertible Senior Preferred Units. The investment was subsequently transferred to JZCP as part of the in specie transfer dated 1 July 2008. At 28 February 2010 the investment was valued at US$1,684,000 (28 February 2009: US$1,400,000).

In July 1998, JZEP invested US$114,000 in the Common Stock of Gramtel, LLC., Jordan Industries, Inc., Jordan Speciality Plastics, Inc., Jordan Aftermarkets, Inc. and Motors & Gears Holdings, Inc., which are affiliates of Jordan/Zalanick Advisers, Inc. The investments were subsequently transferred to JZCP as part of the in specie transfer dated 1 July 2008. The Company has not received any income from these investments during the year and the investments in the portfolio were valued at US$ nil (28 February 2009: US$ nil).

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 investment of US$50,000 was made in ETX Holdings, Inc during the year ended 28 February 2010, the Company did not receive any income from this investment during the year. At 28 February 2010 the investment was valued at US$463,000 (28 February 2009: US$379,000).

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 Advisor are detailed in Note 11.

During the year ended 28 February 2010, the Company retained Ashurst LLP, a UK based law firm. David Macfarlane was a former Senior Corporate Partner at Ashurst until 2002.

The Company has invested in deals 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: Harrington Holdings, Inc.; Kinetek, Inc.; Sechrist Industries, Inc.; TAL International Group, Inc.; and Woundcare Services, Inc. and represent an aggregate value of US$76,688,000 at 28 February 2010 (28 February 2009: US$57,599,000).

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.

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

Notes to the Financial Statements

Continued

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 had been disposed of by JZEP, 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 2010 the Company has assessed that the fair value of these investments is nil as it is not reasonably probable that these investments will be realised by the Company.

As at 28 February 2010, the Company had the following contingent assets held in Escrow accounts which had not been recognised as assets of the Company:

	Amount in Escrow	
	28/02/2010	28/02/2009
	US$'000	US$'000
Lincoln Holdings, Inc.	995	995
N&B Industries, Inc.	776	776
Recycled Holdings Corporation	1,300	1,300
	3,071	3,071

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).

An interim dividend of 9.0c per Ordinary share (total US$5,851,675) was declared by the Board on 29 October 2009 and paid on 4 December 2009.

A second interim dividend of 6.5c per Ordinary share (total US$4,226,210) was declared by the Board on 4 March 2010 and paid on 1 April 2010.

32. Subsequent Events

A second interim dividend of 6.5c per Ordinary share (total US$4,226,210) was declared by the Board on 4 March 2010 and paid on 1 April 2010.

After the year end, two of the Company's investments repaid their subordinated debt obligations, resulting in a total repayment of US$15,700,000 which represented the fair value of the investments at 28 February 2010.

Useful Information for Shareholders

Listing

JZCP Ordinary and Zero Dividend Preference shares are listed on the Official List of the Financial Services Authority of the UK, and are admitted to trading on the London Stock Exchange 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	21 June 2010
Interim results for the six months to 31 August 2010	October 2010

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 +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

Notice is hereby given that the Second 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 Monday 21 June 2010 at 12.00 p.m. (BST).

Agenda

1. To consider and adopt the Annual Report and Audited Financial Statements for the year ended 28 February 2010.
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. David Allison as a Director of the Company.
5. To accept the resignation and consider the re-appointment of Mr. James Jordan as a Director of the Company.
6. To accept the resignation and consider the re-appointment of Mr. David Macfarlane as a Director of the Company.
7. That the related party transaction constituted by the investment of up to €30 million by JZCP in the JZ Europe Fund on the terms summarised in the Chairman's Statement on pages 2 to 4 of the annual report, be hereby approved for the purposes of Chapter 11 of the Listing Rules of the Financial Services Authority.
8. That JZCP's corporate objective be amended such that the new objective would be "To create a portfolio of investments that are based primarily in the United States and outside the United States providing a superior overall return comprised of a current yield and significant capital appreciation" and that the investment strategy be amended to include a further restriction such that "The Company may invest up to 20% of its gross assets in businesses outside the United States".
9. 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 2011 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

20 May 2010

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, save that the holders of Limited Voting Ordinary Shares will not be entitled to vote on resolution 7 (related party transaction resolution) or resolution 8 (change to investment policy resolution).

In respect of resolutions 4, 5, 6 (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 6DA, 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 1214 157047 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).

Notice of Annual General Meeting

Continued

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. 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 Second Annual General Meeting of the Company to be held at its Registered Office on Monday 21 June 2010 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 Second Annual General Meeting of the Company to be held on 21 June 2010, 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.

☐ Please indicate by ticking this box if this is one of more than one appointment of a proxy in respect of your holding (see notes to the Notice of Annual General Meeting).

RESOLUTION	FOR	AGAINST	VOTE WITHHELD
1 To consider and adopt the Annual Report and Audited Financial Statements for the year ended 28 February 2010.			
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. David Allison as a Director of the Company.			
5 To accept the resignation and consider the re-appointment of Mr. James Jordan as a Director of the Company.			
6 To accept the resignation and consider the re-appointment of Mr. David Macfarlane as a Director of the Company.			
7 That the related party transaction constituted by the investment of up to €30 million by JZCP in the JZ Europe Fund on the terms summarised in the Chairman's Statement on pages 2 to 4 of the annual report, be hereby approved for the purposes of Chapter 11 of the Listing Rules of the Financial Services Authority.			
8 That JZCP's corporate objective be amended such that the new objective would be "To create a portfolio of investments that are based primarily in the United States and outside the United States providing a superior overall return comprised of a current yield and significant capital appreciation" and that the investment strategy be amended to include a further restriction such that "The Company may invest up to 20% of its gross assets in businesses outside the United States".			
9 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: 2010 Signature(s):

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