

JZ CAPITAL PARTNERS LIMITED (the "Company" or "JZCP")

(a closed-end investment company incorporated with limited liability under the laws of Guernsey with registered number 48761)

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED

31 AUGUST 2018

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(Classified Regulated Information, under DTR 6 Annex 1 section 1.2)

8 November 2018

JZ Capital Partners, the London listed fund that invests in US and European micro-cap companies and US real estate, announces its interim results for the six-month period ended 31 August 2018.

Results and Portfolio Highlights

- NAV of \$813.4 million (FYE 28/02/18: \$837.6 million)
- NAV per share of \$9.82 (FYE 28/02/18: \$9.98)
- Total investments of \$120.8 million, including: Deflecto, a new Flexible Packaging Vertical, Karium and investments in properties located in Brooklyn, New York and South Florida.
- Realization of three investments significantly above NAV: Paragon Water Systems ("Paragon"), Bolder Healthcare Solutions ("BHS") and TWH Water Industries Inc. ("TWH") (post-period) with gross proceeds of approximately \$172.5¹ million.
- As of 31 August 2018, the portfolio comprised:
 - o **US micro-cap:** 22 businesses, which includes four 'verticals' and 13 co-investments, across nine industries.
 - o **European micro-cap:** 18 companies across seven industries and seven countries.
 - o **US real estate:** 60 properties across five major assemblages in New York and South Florida all in various stages of (re)/development.

Tender Offer

- Since April 2017, JZCP has bought back approximately 1.1 million shares at a total cost of approximately \$7.1 million. However, it has proved challenging to find a sufficient volume of shares in the market at prevailing market prices.
- The Board has now concluded that the interests of all shareholders would be better served by the Company using up to \$50 million to return capital via a tender offer of ordinary shares at a price no wider than a five per cent discount to NAV and to repay bank borrowings. The proposed tender offer, which will be subject to shareholder approval, is intended to be funded in part by further realizations and therefore further details of the tender offer will be announced by the Company in due course.

Outlook

- Strong pipeline of realizations and refinancings in the Company's overall portfolio over the next 12 months.
- Balance sheet remains robust and the Company is focused on using it to make new investments, buy back stock and pay down debt.
- Ongoing discussions with potential institutional joint venture partners to deleverage the real estate portfolio.

David Zalaznick, JZCP's Founder and Investment Adviser, said: "We are pleased with the positive performance of the underlying portfolio and series of successful realizations during the period.

We look forward to further realizations which will fund, in part, the tender offer our Board has announced."

David Macfarlane, Chairman of JZCP, said: "We are confident that the Company is well-positioned to tackle the ongoing discount to NAV through positive investment performance and further successful realizations.

However, given the challenge in executing a significant buy-back programme in the market, the Board has concluded that the interests of all shareholders would be better served by the Company returning capital via a tender offer of its ordinary shares, subject to shareholder approval."

Presentation details:

There will be an audiocast presentation for investors and analysts at 2pm London time / 10am New York time on 8 November 2018. The presentation can be accessed [here](#) and by dialing **+44 (0)330 336 9128(UK)** or **+1 323-994-2093 (US)** with the participant

The information contained within this announcement is considered by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for arranging the release of this announcement on behalf of the Company is David Macfarlane, Chairman.

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About JZ Capital Partners

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

¹ Paragon expected total gross proceeds of approximately \$16.2 million (including interim distributions and escrows). BHS expected total gross proceeds of approximately \$110.6 million (including interim distributions and escrows). TWH (post-period) expected total gross proceeds of approximately \$45.7 million (including interim distributions, escrows and receipt of full earn out).

Chairman's Statement

I am pleased to report the results of JZ Capital Partners ("JZCP" or the "Company") for the six-month period ended 31 August 2018.

Performance

The Company's performance over the last six months has been set against a backdrop of global political and economic uncertainty, as US foreign policy has led to a rise in trade protectionism, an escalating US-China trade war and a renegotiation of the North American Free Trade Agreement ("NAFTA"). Meanwhile, the possibility of a "no-deal" or prolonged Brexit continues to concern investors on both sides of the Atlantic.

In spite of this situation, the US economy continues to expand robustly, with US stock markets recently recording their longest ever rally, capping a near decade-long boom. Comparatively, in Europe, we have seen relatively muted earnings growth and weak economic momentum, but GDP growth remains solid and the long-term economic outlook is positive.

Within this market environment, our focus has been to achieve liquidity through realisations and refinancings. Over the past six months, we have realised three investments at or above NAV: Paragon Water Systems ("Paragon"), Bolder Healthcare Solutions ("BHS") and TWH Water Industries Inc. ("TWH").

Despite several realisations achieved during the period, JZCP's net asset value ("NAV") per share declined 1.6% from \$9.98 to \$9.82, primarily due to carrying costs and pre-development expenses in our real estate portfolio. As stated previously, the Company's ongoing discussions with a number of institutional joint venture partners and the anticipated sale of some of our properties, at or above NAV, will look to address the impact of these costs going forward.

Portfolio update

It has been one of the most active investment periods for the Company to date, putting \$120.8 million to work across the US and European micro-cap and real estate portfolios - whilst realising \$124.8 million, primarily through the sale of Paragon, a manufacturer of water filtration systems, and BHS, a healthcare revenue cycle management services company.

At the end of the period, the Company's portfolio consisted of 22 US micro-cap businesses - including four 'verticals' and 13 co-investments - across nine industries, 18 European micro-cap companies across seven industries and seven countries, and five major real estate assemblages (60 properties in total) located across Brooklyn, New York and South Florida. The portfolio continues to become more diversified by asset type and geography.

US and European Micro-cap

The Board is pleased with the continued strong performance of the US micro-cap and European micro-cap portfolios during the period.

The US micro-cap portfolio delivered a net increase of 25 cents, primarily due to net accrued income of 10 cents per share and increased earnings at our co-investment Felix Storch (12 cents). The portfolio was valued at 8.3x EBITDA, after applying an average 23% marketability discount to public comparables.

The European micro-cap portfolio delivered a net increase of 11 cents per share during the period, due to write-ups at Petrocorner, Fincontinuo, S.A.C, Alianzas en Aceros and Eliantus. The portfolio has low leverage senior to JZCP's position, of under 2.0x EBITDA.

JZCP continues to expand and diversify its investment portfolio in Western Europe through its approximately 18.8% ownership of JZI Fund III, L.P. ("Fund III"). During the period, JZCP acquired a stake in Karium (through Fund III), a unique portfolio of personal care brands recognized throughout the UK and internationally.

As of 31 August 2018, Fund III held 13 investments: five in Spain, two in Scandinavia, two in Italy, two in the UK and one each in Portugal and Luxembourg. JZCP held direct loans to a further four companies in Spain: Ombuds, Docout, Xacom and Toro Finance.

Real Estate

The Board continues to be excited by the attractive investment opportunities sourced by JZCP in conjunction with its long-term real estate partner, RedSky Capital. During the period, JZCP made new investments, follow-on investments and paid expenses totalling \$34.9 million. Post period, JZCP added a further property to the Fulton Mall assemblage and refinanced its office building (Esperante) in West Palm Beach, receiving \$8.1 million in proceeds.

Realisations

The Company generated realisations totalling \$124.8 million during the period, primarily through the sale of Paragon and BHS.

The Board is also delighted with one post-period realisation above net asset value. In September 2018, TWH Water Treatment Industries merged with DuBois Chemicals, Inc., a specialty chemical company that provides value-added chemicals, equipment and service.

Post-period (September 2018), the Company received initial gross proceeds of \$31.3 million from the merger. The Company expects to receive a further \$1.2 million in post-closing adjustments plus up to a further \$5 million in earn-out proceeds, based on certain revenue targets of TWH. Taking into account all of the above, the sale of TWH represents a 2.7% uplift to NAV as at 31 July 2018.

Repurchase of Shares and Future Tender Offers

On 20 April 2017, the Board announced its conclusion that JZCP's dividend policy was not having a sustained impact on narrowing the discount to NAV at which the Company's shares were trading. The Board determined that the interests of shareholders would be better served through a new discount management strategy, which would enable the Company's available distributable profits to be used, among other applications, to buy back its ordinary shares. However, it has proved challenging to find a sufficient volume of shares in the market at prevailing market prices. Since the announcement of the change of policy in April 2017, the Company has only bought back approximately 1.1 million shares at a total cost of approximately \$7.1 million.

In light of a number of realisations anticipated in the near future, the Board has concluded that the interests of all shareholders would be better served by the Company using up to \$50 million to return capital via a tender offer of Ordinary shares and to repay bank borrowings. The tender offer will be at a price no wider than a five per cent discount to the nearest monthly NAV publicly available at the time of such tender offer. Accordingly, the Board has also determined that it intends to undertake periodic returns of capital in the future through further tender offers, again at prices no wider than a five per cent discount to the nearest monthly NAV of reference publicly available. Future available liquidity may also be used to repay bank borrowings, buy back stock opportunistically in the market and continue to be deployed in new investments.

Outlook

The Company's value-driven investment approach has continued to drive strong performance of the underlying portfolio and resulted in a series of successful realisations.

For JZCP, the outlook is positive. We have a strong pipeline of realisations and refinancings in our overall portfolio, which we expect will lead to positive NAV growth over the coming year. We also remain focused on using our strong balance sheet to make new investments, buy back stock and pay down debt.

The Board is confident in the Investment Adviser's ability to continue to grow the Company's NAV, and we look forward to the second half of the year with confidence.

David Macfarlane

Chairman

7 November 2018

Investment Adviser's Report

Dear Fellow Shareholders,

As we reported to you in our Adviser's Report for the year ended 28 February 2018, our primary goal for this year has been to achieve liquidity through realizations and refinancings. Over the past six months, we have realized three investments at or above NAV:

Paragon, Bolder Healthcare and TWH Water Industries Inc. (“TWH”). Each investment generated an excellent return for JZCP: Paragon (1.8x gross multiple of invested capital (“MOIC”)), Bolder Healthcare (4.0x gross MOIC) and TWH (3.1x gross MOIC). On a combined basis, we expect these realizations to return gross proceeds to JZCP of approximately \$172.5 million (all figures above including escrows and interim distributions).

At the same time, we have repurchased a small amount of our stock at a significant discount, although it has proved challenging to find a sufficient volume of shares in the market at prevailing market prices. We anticipate a number of realizations in early 2019 and in discussions with the Board it has been recommended that a tender offer funded with a significant portion of these realizations would be the best way to return capital to all shareholders participating in the tender offer. As described in the Chairman’s Letter, the Board will be seeking approval from shareholders to undertake a tender offer at approximately NAV.

It has also been recommended that the Company continue to undertake tender offers periodically when the liquidity of the Company is sufficient to fund such future tender offers. In addition, it is recommended to use a portion of future realization proceeds to pay down debt as well as buy back stock opportunistically in the market and, of course, continue to pursue our investment strategy by making new investments.

In addition to several significant realizations over the first six months of the fiscal year, JZCP invested a total of \$120.8 million. Investments made during the period include a new Flexible Packaging vertical and new co-investment, Deflecto, as well as follow-on investments in our healthcare products build-up Avante, our Testing and Industrial Services verticals as well as investments in our properties located in Brooklyn, New York and South Florida.

As of 31 August 2018, our US micro-cap portfolio consisted of 22 businesses, which includes four ‘verticals’ and 13 co-investments, across nine industries; this portfolio was valued at 8.3x EBITDA, after applying an average 23% marketability discount to public comparables. The average underlying leverage senior to JZCP’s position in our US micro-cap portfolio is 3.8x EBITDA. Consistent with our value-oriented investment strategy, we have acquired our current US micro-cap portfolio at an average 6.1x EBITDA. The acquisitions made during the six-month period ended 31 August 2018 were also acquired on average at 6.1x EBITDA.

Our European micro-cap portfolio consisted of 18 companies across seven industries and seven countries. The European micro-cap portfolio has low leverage senior to JZCP’s position, of under 2.0x EBITDA.

As of the same date, our US real estate portfolio consisted of 60 properties and can be grouped primarily into five major ‘assemblages’, located in the Williamsburg, Greenpoint and Downtown/Fulton Mall neighborhoods of Brooklyn, New York, and the Wynwood and Design District neighborhoods of Miami, Florida. Our assemblages are comprised of adjacent or concentrated groupings of properties that can be developed, financed and/or sold together at a higher valuation than on a stand-alone basis.

Net Asset Value (“NAV”)

JZCP’s NAV per share fell 1.6% during the period, from \$9.98 at 28 February 2018 to \$9.82 at 31 August 2018. As you see below, the primary reason for the decline in NAV was due to carrying costs and predevelopment expenses on our real estate portfolio. We expect to mitigate a significant portion of this drag on NAV through joint venture partnerships and potentially the sale of some of our properties.

NAV per Ordinary share as of 28 February 2018	\$9.98
Change in NAV due to capital gains and accrued income	
+ US Micro-cap	0.25
+ European Micro-cap	0.11
- Real estate	(0.44)
Other increases/(decreases) in NAV	
+ Change in CULS fair value	0.03
- Finance costs	(0.11)
+ Net foreign exchange effect	0.03
- Expenses and taxation	(0.07)
+ Appreciation from share buybacks	0.04
NAV per Ordinary share as of 31 August 2018	\$9.82

The US micro-cap portfolio continued to perform well during the period, delivering a net increase of 25 cents. This was primarily due to net accrued income of 10 cents, increased earnings at co-investment Felix Storch (12 cents) and writing our Water Treatment Industries investment up to its sale value (22 cents). We also received 3 cents of escrow payments during the period.

Offsetting these increases were declines at our Industrial Services Solutions (“ISS”) vertical (6 cents), our co-investment Sloan LED (3 cents), our Testing vertical (3 cents), our healthcare vertical (4 cents) and Nationwide, our school photography business (6 cents).

The European micro-cap portfolio has performed very well during the period, posting a net increase of 11 cents, primarily due to accrued income of 5 cents and write-ups at JZI Fund III, L.P. ("Fund III") portfolio companies Petrocorner, Fincontinuo, S.A.C, Alianzas en Aceros and Eliantus (6 cents combined).

Returns

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

	31.8.2018	28.2.2018	31.8.2017	31.8.2015	31.8.2013
Share price (in GBP)	£4.44	£4.51	£5.16	£4.34	£4.75
NAV per share (in USD)	\$9.82	\$9.98	\$9.88	\$10.67	\$9.87
NAV to market price discount	41%	38%	33%	37%	26%
		6 month return	1 year return	3 year return	5 year return
Dividends paid (in USD)		-	-	\$0.47	\$1.100
Total Shareholders' return ¹		-1.6%	-13.9%	9.2%	10.3%
Total NAV return per share ¹		-1.6%	-0.6%	-3.8%	11.0%

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

Portfolio Summary

Our portfolio is well-diversified by asset type and geography, with 40 US and European micro-cap investments across nine industries and five primary real estate 'assemblages' (60 total properties, including one post-period acquisition) located in Brooklyn, New York and South Florida. The portfolio continues to become more diversified geographically across Western Europe with investments in Spain, Italy, Portugal, Luxembourg, Scandinavia and the UK.

Below is a summary of JZCP's assets and liabilities at 31 August 2018 as compared to 28 February 2018. An explanation of the changes in the portfolio follows:

	31.8.2018	28.2.2018
	US\$'000	US\$'000
US micro-cap portfolio	453,456	488,258
European micro-cap portfolio	121,431	103,457
Real estate portfolio	461,065	463,391
Other investments	17,302	15,302
Total investments	1,053,254	1,070,408
Treasury bills	3,269	49,975
Cash	61,554	33,9871
Total cash equivalents	64,823	83,962
Other assets	626	2,158
Total assets	1,118,703	1,156,528
Zero Dividend Preference shares	60,798	59,970
Convertible Unsecured Loan Stock	54,045	62,843
Loans payable	149,329	150,125
Other payables	41,164	46,017

Total liabilities	305,336	318,955
Net Asset Value	813,367	837,573

¹Cash and cash equivalents includes cash held of \$9.0 million and \$25.0 million being receivables from the sale of Treasury Bills (received 1 March 2018).

As previously announced, in April 2017 JZCP increased its loan facility with Guggenheim Partners from approximately \$100 million to \$150 million. The entire \$150 million facility may be repaid, in whole or in part, at any time, without any prepayment penalties.

US micro-cap portfolio

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

New US investments - verticals

Vertical	Number of Acquisitions	JZCP Investment (\$ millions)
Flexible Packaging	2	10.0
Industrial Services Solutions ¹	-	15.1
Testing Services	3	9.1
Total	5	34.2

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

New US investments - co-investments

Portfolio Company	New/Follow-on	JZCP Investment (\$ millions)
Deflecto	New	24.5
Avante	Follow-on	3.5
K2 Towers II	Follow-on	4.2
Total		32.2

New US investments - other US micro-cap

Portfolio Company	New/Follow-on	JZCP Investment (\$ millions)
Nationwide Studios	Follow-on	2.7
Total		2.7

European micro-cap portfolio

The European micro-cap portfolio continued its positive trajectory over the past year (net increase of 11 cents), highlighted by write-ups at the following portfolio companies: Petrocorner, Fincontinuo, S.A.C, Alianzas en Aceros and Eliantus.

JZCP invests in the European micro-cap sector through its approximately 18.8% ownership of Fund III. As of 31 August 2018, Fund III held 13 investments: five in Spain, two in Scandinavia, two in Italy, two in the UK and one each in Portugal and Luxembourg. JZCP held direct loans to a further four companies in Spain: Ombuds, Docout, Xacom and Toro Finance

JZAI has offices in London and Madrid and an outstanding team with over fifteen years of experience investing together in European micro-cap deals

Recent events

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

JZCP also made follow-on investments in: (i) Treee, an electronic waste recycling business in Italy; (ii) Eliantus, a build-up of solar power plants in Spain; and (iii) Fincontinuo, a niche consumer lender in Italy. Additionally, JZCP received distributions from its investments in Collingwood, a niche auto insurance business in the UK, and S.A.C, a van leasing business in Denmark.

Real estate portfolio

During the period, JZCP acquired 124-136 North 6th Street, an 18,000+ sq. ft. corner site which adds significant value to our existing Williamsburg Retail assemblage. JZCP contributed \$2.3 million in equity to fund this acquisition, with the balance being provided by a third-party lender in conjunction with a refinancing of the entire assemblage. In addition to funding this accretive acquisition, the recent refinancing will cover upcoming construction costs for the Williamsburg Retail assemblage as well as operating and debt service shortfalls for the next 36 months. Over the past 12 months, we have experienced tremendous leasing momentum in the Williamsburg neighborhood, signing leases with Everlane, Vans, A Land, Alo Yoga, UVA Wines, TOMS, Dig Inn and The North Face. In September 2018, LVMH opened their Sephora store in our building at 247 Bedford Avenue.

Post-period (September 2018), JZCP purchased 571 Fulton Street, a crucial acquisition which turned the Fulton Mall assemblage into two premier development sites totaling more than 540,000 buildable square feet in the heart of Downtown Brooklyn. We are currently working towards securing a joint venture partner with whom we can fully develop the property.

Also post-period (October 2018), JZCP refinanced Esperante, our office building in West Palm Beach, Florida. This refinancing resulted in proceeds to JZCP of \$8.1 million, which were received in early October 2018.

As reported in our year-end annual report, we continue to be very excited with the progress of our first ground-up development in South Florida, CUBE Wynwd (the “CUBE”), a development project in Miami’s Wynwood neighborhood totaling 90,000 square feet and featuring seven stories of office space geared towards tech and media businesses and ground floor retail space.

We have signed an anchor tenant for the CUBE and plan to complete the building in Q1 2019. We are experiencing strong interest from potential tenants to lease the remaining available space at the CUBE and expect significant institutional interest on a sale or joint venture.

As of 31 August 2018, JZCP had approximately \$423 million invested in a portfolio of retail, office and residential properties in Brooklyn, New York, and South Florida which is valued at \$461 million as of that date. We have made these investments alongside our long-term real estate partner, RedSky Capital, a team with significant experience in the sector.

Since we began investing with RedSky in April 2012, we have acquired a total of 60 properties (including post-period acquisition of 571 Fulton Street), all currently in various stages of development and re-development.

New real estate investments

	JZCP Investment (\$ millions)
Acquisition of 124-136 North 6th Street	2.3
Follow-ons & expenses	32.6
	34.9

Other investments

Our asset management business in the US, Spruceview Capital Partners, addresses the growing demand from corporate pensions, endowments, family offices and foundations for fiduciary management services through an Outsourced Chief Investment Officer (“OCIO”) model as well as specific products per asset class. Spruceview has a robust pipeline of opportunities and recently held the initial closing of a US middle market private equity fund-of-funds along with adding another international pension client in the second quarter of 2018.

Spruceview continues to provide investment oversight to the pension fund of an international packaged foods company, a European private credit fund-of-funds and portfolios for family office clients.

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

Realisations

Asset	Portfolio	Proceeds (\$millions)
Bolder Healthcare Solutions - Sale	US micro-cap	105.7
Paragon Water Systems - Sale	US micro-cap	16.1
New Vitality - Dividend	US micro-cap	0.3
Esperante - Cash Flow Distribution	Real estate	0.1
Flatbush Portfolio - Refinancing	Real estate	0.5
Receipt of Escrow balances	US micro-cap	2.1
		124.8

Bolder Healthcare Solutions ("BHS")

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

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

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

Paragon Water Systems ("Paragon")

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

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

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

TWH Water Treatment Industries, Inc. ("TWH")

Post-period (September 2018), TWH merged with DuBois Chemicals, Inc. ("DuBois"), a specialty chemical company that provides value-added chemicals, equipment and service

JZCP realized \$31.3 million in initial gross proceeds from the merger (subject to post-closing adjustments), plus potentially up to \$5 million of additional gross proceeds from an earn-out based on certain revenue targets of TWH. Including gross proceeds from a dividend recapitalization in November 2016, the transaction is expected to represent a gross MOIC of approximately 3.1x and a gross IRR of approximately 25%, in each case taking into account the receipt of full post-closing adjustments and earn-out proceeds. Additionally, the sale of TWH represents an uplift to JZCP's NAV (pre-deal July 31, 2018 - \$9.80) of approximately 2.7%, again taking into account the receipt of full post-closing adjustments and earn-out proceeds.

Esperante

Post-period (October 2018), JZCP refinanced Esperante, our office building in West Palm Beach, Florida. This refinancing resulted in refinancing proceeds to JZCP of \$8.1 million, which were received in early October 2018.

Outlook

The outlook for JZCP is excellent. We have a strong pipeline of realizations and refinancings in our overall portfolio, including real estate, and expect to return capital to our shareholders via a series of tender offers at approximately NAV.

Our shareholders should know that we consider NAV growth to be our primary job. We believe JZCP will have a series of successful realizations over the coming year at or above current NAV. The most significant drag on NAV – carrying costs and predevelopment

expenses on our real estate portfolio – will be less of an issue in the future.

Many of you have been shareholders for quite some time. We appreciate your support as well as your patience in building JZCP. As you've seen with the realizations during the past year at or above NAV, we have an excellent portfolio. Our plan is to continue to realize a significant portion of the value in the portfolio over the next 12 to 18 months. We look forward to reporting our progress.

As always, we thank you for your continued support in our investment strategy. Please feel free to contact us with any ideas that might be beneficial to JZCP, other than buying back stock – we've got that covered!

Yours faithfully,

Jordan/Zalaznick Advisers, Inc.

7 November 2018

Board of Directors

David Macfarlane (Chairman)¹

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

Patrick Firth^{2,4}

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

James Jordan

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

Sharon Parr

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

Tanja Tibaldi

Ms Tibaldi was appointed to the Board of JZCP in 2008. She was on the board of JZ Equity Partners Plc from January 2005 until the company's liquidation on 1 July 2008. She was managing director at Fairway Investment Partners, a Swiss asset management company where she was responsible for the Group's marketing and co-managed two fund of funds. Previously she was an executive at the Swiss Stock Exchange and currently serves on the board of several private companies.

Christopher Waldron³

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

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

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

³Chairman of the management engagement committee of which all Directors are members.

⁴Mr Firth intends to retire from the Board and as chairman of the audit committee in 2019.

Directors' Responsibilities

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Half-Yearly Report and Condensed Interim Financial Statements which contains the half-yearly report and the condensed interim financial statements (the "interim financial statements"). The Half-Yearly Report and Condensed Interim Financial Statements give a true and fair view of the state of affairs of the Company for that period and are in accordance with applicable laws and interim financial reporting standards. In preparing the Half-Yearly Report and Condensed Interim Financial Statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- prepare the interim financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business; and
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

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

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

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

- this set of interim financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union;

- the Half-Yearly Report and Condensed Interim Financial Statements include information detailed in the Chairman's Statement and Investment Adviser's Report and Notes to the interim financial statements which provides a fair review of the information required by:

(i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred for the period from 1 March 2018 to 31 August 2018 and their impact on the interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year: and

(ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the period from 1 March 2018 to 31 August 2018 and that have materially affected the financial position or performance of the Company during that period.

Going concern and principal risks and uncertainties

As an investment fund, the Company's principal risks are those that are associated with its investment portfolio. Given the nature of the portfolio, the principal risks are associated with the financial and operating performance of the underlying investments.

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report and accounts for the year ended 28 February 2018 (as explained in Report of the Directors of the annual report). The Directors continue to monitor the risks to the Company. These risks include the Company's exposure to Euro and Sterling currencies and the impact of austerity measures being adopted in countries within which the Company invests.

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

Approved by the Board of Directors and agreed on behalf of the Board on 7 November 2018.

David Macfarlane

Chairman

Patrick Firth

Director

Investment Portfolio

	Cost1	Value	age of Portfol io
	US\$'000	US\$'000	%
US Micro-cap portfolio			
US Micro-cap (Verticals)			
Industrial Services Solutions ⁴			
INDUSTRIAL SERVICES SOLUTIONS ("ISS") A combination of twenty seven acquired businesses in the industrial maintenance, repair and service industry			
Total Industrial Services Solutions valuation	48,250	91,168	8.6
Testing Services Holdings ⁴			
TECHNICAL SOLUTIONS AND SERVICES Sells, rents and services safety & testing equipment and sells protective & safety apparel to a variety of industries. Technical Solutions and Services is a subsidiary of Testing Services Holdings			
Total Technical Solutions and Services Vertical valuation	21,967	19,751	1.9
Water Services ⁴			
WATERLINE RENEWAL TECHNOLOGIES Environmental infrastructure company that provides technology to facilitate repair of underground pipes and other infrastructure. TWH Infrastructure Industries, Inc., which owns LMK Enterprises, Perma-Liner Industries and APMCS is a subsidiary of Triwater Holdings			
WATER TREATMENT INDUSTRIES (REALISED POST-PERIOD) Provider of water treatment supplies and services. TWH Water Treatment Industries, Inc., which owns Nashville Chemical & Equipment, Klenzoid Canada Company/Eldon Water and Chemco, is a subsidiary of Triwater Holdings			
Total Water Services Vertical valuation	14,977	42,828	4.0
Flexible Packaging Vertical			
ACW FLEX PACK, LLC Provider of a variety of custom flexible packaging solutions to converters and end-users			
Total Flexible Packaging Vertical valuation	9,958	10,160	1.0
Total US Micro-cap (Verticals)	95,152	163,907	15.5
US Micro-cap (Co-investments)			
ABTB Acquirer of franchises within the fast-casual eateries and quick-service restaurants sector	8,760	8,760	0.8
DEFLECTO Deflecto designs, manufactures and sells innovative plastic products to multiple industry segments	24,533	24,742	2.3
GEORGE INDUSTRIES Manufacturer of highly engineered, complex and high tolerance products for the aerospace, transportation, military and other industrial markets	12,639	12,637	1.2
IGLOO ⁴ Designer, manufacturer and marketer of coolers and outdoor products	6,040	6,040	0.6
K2 TOWERS II Acquirer of wireless communication towers	8,422	8,422	0.8
NEW VITALITY ⁴ Direct-to-consumer provider of nutritional	3,431	3,803	0.4

supplements and personal care products			
PEACEABLE STREET CAPITAL Specialty finance platform focused on commercial real estate	28,041	27,674	2.6
SALTER LABS4 Developer and manufacturer of respiratory medical products and equipment for the homecare, hospital, and sleep disorder markets	16,762	21,593	2.0
SLOAN LED4 Designer and manufacturer of LED lights and lighting systems	6,030	452	0.0
SUZO HAPP GROUP4 Designer, manufacturer and distributor of components for the global gaming, amusement and industrial markets	2,572	11,700	1.1
TIERPOINT4 Provider of cloud computing and collocation data centre services	44,313	46,813	4.5
VITALYST4 Provider of outsourced IT support and training services	9,020	8,192	0.8
Total US Micro-cap (Co-investments)	170,563	180,828	17.1
US Micro-cap (Other)			
AVANTE HEALTH SOLUTIONS Provider of new and professionally refurbished healthcare equipment	34,141	37,576	3.6
HEALTHCARE PRODUCTS HOLDINGS3 Designer and manufacturer of motorised vehicles	17,636	-	-
FELIX STORCH Supplier of specialty, professional, commercial, and medical refrigerators and freezers, and cooking appliances	12,000	37,853	3.6
NATIONWIDE STUDIOS Processor of digital photos for pre-schoolers	26,324	7,500	0.7
ORIZON Manufacturer of high precision machine parts and tools for aerospace and defence industries	15,843	15,843	1.5
PRIORITY EXPRESS Provider of same day express courier services to various companies located in north-eastern USA. Priority Express is a subsidiary of US Logistics	13,200	9,949	0.9
Total US Micro-cap (Other)	119,144	108,721	10.3
Total US Micro-cap portfolio	384,859	453,456	42.9
European Micro-cap portfolio			
EUROMICROCAP FUND 2010, L.P. Invested in European Micro-cap entities	-	29	-
EUROMICROCAP FUND-C, L.P. Invested in European Micro-cap entities	-	3,591	0.3
JZI FUND III, L.P. At 31 August 2018, was invested in thirteen companies in the European micro-cap sector: Petrocorner, Fincontinuo, S.A.C, Collingwood, My Lender, Alianzas en Aceros, ERSI, Treee, Eliantus, Factor Energia, BlueSites, Luxida and Karium	45,723	60,003	5.7
Total European Micro-cap (measured at Fair Value)	45,723	63,623	6.0
Direct Investments			
DOCOUT5 Provider of digitalisation, document processing and storage services	2,777	4,088	0.4
OMBUDS5 Provider of personal security, asset protection and	17,198	27,340	2.6

facilities management services			
TORO FINANCES	21,619	22,215	2.1
Provides short term receivables finance to the suppliers of major Spanish companies			
XACOM5	2,055	4,165	0.4
Supplier of telecom products and technologies			
Total European Micro-cap (Direct Investments)	43,649	57,808	5.5
Total European Micro-cap portfolio	89,372	121,431	11.5
Real Estate portfolio			
JZCP REALTY2	422,532	461,065	43.7
Facilitates JZCP's investment in US real estate			
Total Real Estate portfolio	422,532	461,065	43.7
Other investments			
BSM ENGENHARIA	6,115	459	-
Brazilian-based provider of supply chain logistics, infrastructure services and equipment rental			
JZ INTERNATIONAL3	-	750	0.1
Fund of European LBO investments			
SPRUCEVIEW CAPITAL	27,010	16,093	1.5
Asset management company focusing primarily on managing endowments and pension funds			
Total Other investments	33,125	17,302	1.6
Listed investments			
U.S. Treasury Bill 0.00% Maturity 7-Feb-19	3,267	3,269	0.3
Total Listed investments	3,267	3,269	0.3
Total - portfolio	933,155	1,056,523	100.0

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

(2) JZCP invests in real estate indirectly through its investments in JZCP Realty Ltd. JZCP owns 100% of the shares and voting rights of JZCP Realty, Ltd.

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

(4) Co-investment with Fund A, a Related Party (Note 20).

(5) Classified as Loans at Amortised Cost.

Independent Review Report to JZ Capital Partners Limited

Introduction

We have been engaged by JZ Capital Partners Limited (the "Company") to review the Interim Financial Statements in the Half-yearly Report and Condensed Interim Financial Statements for the six months ended 31 August 2018 which comprise the Unaudited Statement of Comprehensive Income, the Unaudited Statement of Financial Position, the Unaudited Statement of Changes in Equity, the Unaudited Statement of Cash Flows and the related Notes 1 to 26. We have read the other information contained in the Half-yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Financial Statements.

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

Directors' Responsibilities

The Half-yearly Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-yearly Financial Report in accordance with the Disclosure Guidance and Transparency Rules ("DTR") of the United Kingdom's

Financial Conduct Authority ("FCA"). As disclosed in Note 2, the Interim Financial Statements have been prepared by applying consistent accounting policies used in the Annual Financial Statements of the Company which are in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union ("IAS 34").

Our Responsibility

Our responsibility is to express to the Company a conclusion on the Interim Financial Statements in the Half-yearly Report and Condensed Interim Financial Statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements for the six months ended 31 August, 2018 are not prepared, in all material respects, in accordance with IAS 34 and the DTR of the United Kingdom's FCA.

Ernst & Young LLP

Guernsey

Channel Islands

7 November 2018

Notes

1. The Half-yearly Report and Condensed Interim Financial Statements are published on websites maintained by the Investment Adviser.
2. The maintenance and integrity of these websites are the responsibility of the Investment Adviser; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Condensed Interim Financial Statements since they were initially presented on the website.
3. Legislation in Guernsey governing the preparation and dissemination of Condensed Interim Financial Statements may differ from legislation in other jurisdictions.

Unaudited Statement of Comprehensive Income

For the Period from 1 March 2018 to 31 August 2018

	Six month period from 1 March 2018 to 31 August 2018			Six month period from 1 March 2017 to 31 August 2017		
	Revenue return	Capital return	Total	Revenue return	Capital return	Total
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Income						
Gain/(loss) on financial liabilities at fair value through profit or loss	-	5,925	5,925	-	(3,026)	(3,026)
Realisations from investments held in escrow accounts	22	2,085	2,085	-	1,173	1,173
Net foreign currency exchange gains	-	1,045	1,045	-	1,961	1,961

Investment income	7	14,300	-	14,300	13,787	-	13,787
Bank and deposit interest		289	-	289	30	-	30
		14,589	9,055	23,644	13,817	108	13,925
Expenses							
Net loss on investments at fair value through profit or loss	6	-	(25,720)	(25,720)	-	(16,828)	(16,828)
Investment Adviser's base fee	9	(8,498)	-	(8,498)	(8,458)	-	(8,458)
Investment Adviser's incentive fee	9	-	3,843	3,843	-	1,812	1,812
Administrative expenses		(1,423)	-	(1,423)	(1,565)	-	(1,565)
Directors' remuneration		(219)	-	(219)	(209)	-	(209)
		(10,140)	(21,877)	(32,017)	(10,232)	(15,016)	(25,248)
Operating profit/(loss)		4,449	(12,822)	(8,373)	3,585	(14,908)	(11,323)
Finance costs	8	-	(9,126)	(9,126)	-	(8,332)	(8,332)
Profit/(loss) before taxation		4,449	(21,948)	(17,499)	3,585	(23,240)	(19,655)
Withholding taxes	10	-	-	-	233	-	233
Profit/(loss) for the period		4,449	(21,948)	(17,499)	3,818	(23,240)	(19,422)
Weighted average number of Ordinary shares in issue during the period	21			83,456,487			83,907,516
Basic earnings/(loss) per Ordinary share	21	5.33c	(26.30)c	(20.97)c	4.55c	(27.70)c	(23.15)c
Diluted earnings/(loss) per Ordinary share	20	4.95c	(29.22)c	(24.27)c	4.55c	(27.70)c	(23.15)c

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

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

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

The "Total" column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS.

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

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

Unaudited Statement of Financial Position

As at 31 August 2018

		31 August 2018	28 February 2018
	Note	US\$'000	US\$'000
		Unaudited	Audited
Assets			
Investments at fair value through profit or loss	11	998,715	1,063,034
Loans at amortised cost	11	57,808	57,349
Securities sold receivable	12	-	24,987
Other receivables	13	626	2,158
Cash at bank		61,554	9,000
Total assets		1,118,703	1,156,528
Liabilities			
Convertible Unsecured Loan Stock	14	54,045	59,970
Zero Dividend Preference shares	15	60,798	62,843
Loans payable	16	149,329	150,125
Investment Adviser's incentive fee	9	36,767	41,606
Investment Adviser's base fee	9	2,210	2,225
Other payables	17	2,187	2,186
Total liabilities		305,336	318,955
Equity			
Share capital		258,978	265,685
Other reserve		353,528	353,528
Capital reserve		128,739	150,687
Revenue reserve		72,122	67,673
Total equity		813,367	837,573
Total liabilities and equity		1,118,703	1,156,528
Number of Ordinary shares in issue at period end	18	82,846,107	83,907,516
Net asset value per Ordinary share		\$9.82	\$9.98

These unaudited condensed interim financial statements were approved by the Board of Directors and authorised for issue on 7 November 2018. They were signed on its behalf by:

David Macfarlane

Chairman

Patrick Firth

Director

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

Unaudited Statement of Changes in Equity

For the Period from 1 March 2018 to 31 August 2018

Share Capital	Other Reserve	Capital Realised	Reserve Unrealised	Revenue Reserve	Total
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000

Balance as at 1 March 2018	265,685	353,528	70,777	79,910	67,673	837,573
Profit/(loss) for the period	-	-	58,560	(80,508)	4,449	(17,499)
Buy back of Ordinary shares	(6,707)	-	-	-	-	(6,707)
Balance at 31 August 2018	258,978	353,528	129,337	(598)	72,122	813,367

Comparative for the period from 1 March 2017 to 31 August 2017

	Share Capital	Other Reserve	Capital Reserve Realised	Capital Reserve Unrealised	Revenue Reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 March 2017	265,685	353,528	28,034	145,837	55,760	848,844
(Loss)/profit for the period	-	-	(4,604)	(18,636)	3,818	(19,422)
Balance at 31 August 2017	265,685	353,528	23,430	127,201	59,578	829,422

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

Unaudited Statement of Cash Flows

For the Period from 1 March 2018 to 31 August 2018

		Six Month Period Ended 31 August 2018	Six Month Period Ended 31 August 2017
	Note	US\$'000	US\$'000
Operating activities			
Net cash outflow from operating activities	23	(7,656)	(6,980)
Cash outflow for investments (direct investments and capital calls)	11	(134,749)	(62,893)
Cash inflow from repayment and disposal of investments	11	209,230	33,643
Net cash inflow/(outflow) before financing activities		66,825	(36,230)
Financing activities			
Finance costs paid		(7,351)	(5,557)
Payments to buy back Company's Ordinary shares		(6,707)	-
Proceeds from loan facilities	16	-	50,000
Loan issue costs paid	16	-	(1,840)
Net cash (outflow)/inflow from financing activities		(14,058)	42,603
Increase in cash at bank		52,767	6,373
Reconciliation of net cash flow to movements in cash at bank			

	US\$'000	US\$'000
Cash and cash equivalents at 1 March	9,000	29,063
Increase in cash at bank	52,767	6,373
Unrealised foreign exchange movements on cash and cash equivalents	(213)	330
Cash and cash equivalents at period end	61,554	35,766

Reconciliation of cash flows to investment note and reports

		US\$'000
Cash outflow for investments (direct investments and capital calls)		134,749
Deposits paid during prior year invested in current year		1,595
Total investments for the period - investment note	11	136,344
Less: Investments in Treasury bills during the period		(3,267)
Less: Short term loan to investee company		(12,304)
Total investments quoted in Results and Portfolio Highlights, Chairman's Statement, and Investment Adviser's Report		120,773
		US\$'000
Cash inflow from repayment and disposal of investments		209,230
Less: Prior year securities sold receivable		(24,987)
Total realisations for the period - investment note	11	184,243
Realisations from investments held in escrow accounts		2,085
Less: Proceeds from maturity of Treasury bills during period		(49,845)
Less: Short term loan to investee company repaid		(11,720)
Total realisations quoted in Results and Portfolio Highlights and Chairman's Statement		124,763

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

Notes to the Financial Statements

1. General Information

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

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

The Company is currently mainly focused on investing in the following areas:

- (a) small or micro-cap buyouts in the form of debt and equity and preferred stock in both the US and Europe; and
- (b) real estate interests

Jordan/Zalaznick Advisers, Inc. (the "Investment Adviser") takes an opportunistic approach to asset allocation and always seeks to maintain a broad spread of investment risk. Exposures are monitored and managed by the Investment Adviser under the supervision of the Board.

The Company has no direct employees. For its services the Investment Adviser receives a management fee and is also entitled to performance related fees (Note 9). The Company has no ownership interest in the Investment Adviser. During the period under review the Company was administered by Northern Trust International Fund Administration Services (Guernsey) Limited.

The unaudited Condensed Interim Financial Statements (the "interim financial statements") are presented in US\$'000 except where otherwise indicated.

2. Significant Accounting Policies

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

Statement of Compliance

The interim financial statements of the Company for the period 1 March 2018 to 31 August 2018 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted in the European Union, together with applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Disclosure Guidance and Transparency Rules. The interim financial statements do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the annual report and audited financial statements at 28 February 2018.

Basis of Preparation

The interim financial statements have been prepared under the historical cost basis, modified by the revaluation of financial instruments designated at fair value through profit or loss ("FVTPL") upon initial recognition. The principal accounting policies adopted in the preparation of these interim financial statements are consistent with the accounting policies stated in Note 2 of the annual financial statements for the year ended 28 February 2018. The preparation of these interim financial statements are in conformity with IAS 34, "Interim Financial Reporting" as adopted in the European Union, requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 28 February 2018, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company considers that it does not have any material revenue streams that fall within the scope of IFRS 15 Revenue from Contracts with Customers and hence that the implementation of IFRS 15 did not have a material impact on its interim financial statements.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim financial statements of the Company.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 March 2018 and adjusting the comparative information for the period beginning 1 March 2017. However there was no financial impact and no change to the comparative information for 2018 due to the application of IFRS 9.

(a) Classification and measurement

Financial Assets

Under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

There is a fair value option ("FVO") that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Under IFRS 9, equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income ("OCI") without

subsequent reclassification to profit or loss.

The assessment of the Company's business models was made as of the date of initial application, 1 March 2018, and then applied prospectively. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial liabilities

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

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

The Company considers the change in the fair value of financial liabilities valued at FVTPL, due to any change in the Company's credit risk profile and will allocate the fair value movement through Other Comprehensive Income.

By adopting IFRS 9, there is no material impact on the classification and measurement of financial assets and financial liabilities of the Company because:

i) Financial assets measured at amortised cost under IAS 39 are loans, securities sold receivable and other receivables. These instruments meet the SPPI criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

ii) Financial assets measured at FVTPL under IAS 39 are investments in common stock (equity), preferred stock, subordinated debt and limited partnership interest, and managed on a fair value basis in accordance with a documented investment strategy. These investments are also not expected to meet the SPPI criterion and accordingly, these financial instruments will still be measured at fair value through profit or loss under IFRS 9;

iii) Financial liabilities measured at FVTPL under IAS 39 are CULS and will continue to be measured at FVTPL under IFRS 9;

iv) Financial liabilities valued at amortised cost under IAS 39 are loans payable, other payables and ZDPs and will continued to be measured at amortised cost under IFRS 9 and

v) The embedded derivatives included in the financial liabilities at amortised cost are not separated under IAS 39 and will continued not to be separated under IFRS 9 because embedded derivatives do not meet the SPPI test.

(b) Impairment

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For securities sold receivable and other receivables, the Company has applied the standard's simplified approach because of the short term nature of these balances and has calculated ECLs based on lifetime expected credit losses. No impairment allowance has been accounted as a result of the adoption of IFRS 9.

For loans the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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

The adoption of the ECL requirements of IFRS 9 has not resulted in any impairment allowances on the Company's debt financial assets.

(c) Hedge accounting

The Company does not use hedge accounting.

Transition disclosures

The application of IFRS 9 did not change the measurement and presentation of the current financial instruments therefore there is no impact on the interim financial statements.

3. Estimates and Judgements

The estimates and judgements made by the Board of Directors are consistent with those made in the Financial Statements for the year ended 28 February 2018.

4. Segment Information

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

- Portfolio of US micro-cap investments
- Portfolio of European micro-cap investments
- Portfolio of Real estate investments
- Portfolio of Other investments

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

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

Segmental operating profit/(loss)

For the period from 1 March 2018 to 31 August 2018

	US Micro-Cap	European Micro-Cap	Real Estate	Other Investments	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Interest revenue	10,649	3,565	59	-	14,273
Total segmental revenue	10,649	3,565	59	-	14,273
Realisations from investments held in Escrow	2,085	-	-	-	2,085
Net gain/(loss) on investments at FVTPL	8,152	2,778	(36,650)	-	(25,720)
Investment Adviser's base fee	(3,311)	(859)	(3,501)	(122)	(7,793)
Investment Adviser's capital incentive fee	(3,922)	435	7,330	-	3,843
Total segmental operating profit/(loss)	13,653	5,919	(32,762)	(122)	(13,312)

For the period from 1 March 2017 to 31 August 2017

	US Micro-Cap	European Micro-Cap	Real Estate	Other Investments	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Interest revenue	9,836	3,916	-	35	13,787
Total segmental revenue	9,836	3,916	-	35	13,787

Realisations from investments held in Escrow	1,173	-	-	-	1,173
Net (loss)/gain on investments at FVTPL	(6,974)	14,356	(14,235)	(5,405)	(12,258)
Investment Adviser's base fee	(3,305)	(1,177)	(3,558)	(137)	(8,177)
Investment Adviser's capital incentive fee	(1,117)	(914)	2,847	996	1,812
Total segmental operating (loss)/profit	(387)	16,181	(14,946)	(4,511)	(3,663)

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

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

The following table provides a reconciliation between total segmental operating loss and operating loss:

	Period ended 31.8.2018	Period ended 31.8.2017
	US\$ '000	US\$ '000
Total segmental operating loss	(13,312)	(3,663)
Gain/(loss) on financial liabilities at fair value through profit or loss	5,925	(3,026)
Net foreign exchange gain/(loss)	1,045	(2,609)
Bank and deposit interest	289	30
Expenses not attributable to segments	(1,642)	(1,774)
Fees payable to investment adviser based on non-segmental assets	(705)	(281)
Interest on US treasury bills	27	-
Operating loss	(8,373)	(11,323)

The following table provides a reconciliation between total segmental revenue and Company revenue:

	31.8.2018	31.8.2017
	US\$ '000	US\$ '000
Total segmental revenue	14,273	13,787
Non-segmental revenue		
Bank and deposit interest	289	30
Interest on US treasury bills	27	-
Total revenue	14,589	13,817

Segmental Net Assets

At 31 August 2018	US	European	Real	Other	
	Micro-Cap	Micro-Cap	Estate	Investments	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Segmental assets					
Investments at FVTPL	453,456	63,623	461,065	17,302	995,446
Loans at amortised cost	-	57,808	-	-	57,808
Other receivables	-	-	495	-	495
Total segmental assets	453,456	121,431	461,560	17,302	1,053,749
Segmental liabilities					
Payables and accrued expenses	(34,631)	1,120	(8,619)	1,880	(40,250)
Total segmental liabilities	(34,631)	1,120	(8,619)	1,880	(40,250)
Total segmental net assets	418,825	122,551	452,941	19,182	1,013,499

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

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

	31.8.2018	28.2.2018
	US\$ '000	US\$ '000
Total segmental assets	1,053,749	1,072,498
Non segmental assets		
Treasury Bills		3,269
Cash at bank		61,554
Securities sold receivable		-
Other receivables		131
Total assets	1,118,703	1,156,528

Total segmental liabilities	(40,250)	(44,977)
Non segmental liabilities		
Zero Dividend Preference shares	(60,798)	(62,843)
Convertible Unsecured Loan Stock	(54,045)	(59,970)
Loans payable	(149,329)	(150,125)
Other payables	(914)	(1,040)
Total liabilities	(305,336)	(318,955)
Total net assets	813,367	837,573

5. Fair Value of Financial Instruments

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

Level 1

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

Level 2

Those involving inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). For example, investments which are valued based on quotes from brokers (intermediary market participants) are generally indicative of Level 2 when the quotes are executable and do not contain any waiver notices indicating that they are not necessarily tradeable. Another example would be derivatives such as interest rate swaps or forward currency contracts where inputs are mostly observable and therefore may also fall into Level 2. At the period end, the Company had assessed it held no assets or liabilities valued at FVTPL that were using inputs that would be classified as level 2 within the valuation method.

Level 3

Those involving inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Investments in JZCP's portfolio valued using unobservable inputs such as multiples, capitalisation rates, discount rates fall within Level 3.

Differentiating between Level 2 and Level 3 fair value measurements i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

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

Financial assets at 31 August 2018

	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
US micro-cap	-	-	453,456	453,456
European micro-cap	-	-	63,623	63,623
Real estate	-	-	461,065	461,065
Other investments	-	-	17,302	17,302
Listed investments	3,269	-	-	3,269
	3,269	-	995,446	998,715

Financial assets at 28 February 2018

	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
US micro-cap	-	-	488,258	488,258

European micro-cap	-	-	46,108	46,108
Real estate	-	-	463,391	463,391
Other investments	-	-	15,302	15,302
Listed investments	49,975	-	-	49,975
	49,975	-	1,013,059	1,063,034

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

Financial liabilities at 31 August 2018	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Convertible Subordinated Unsecured Loan Stock	54,045	-	-	54,045
	54,045	-	-	54,045
Financial liabilities at 28 February 2018	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Convertible Subordinated Unsecured Loan Stock	59,970	-	-	59,970
	59,970	-	-	59,970

Transfers between levels

There were no transfers between the levels of hierarchy of financial assets and liabilities recognised at fair value through profit or loss within the period ended 31 August 2018 and the year ended 28 February 2018.

Valuation techniques

The same valuation methodology and process was deployed as for the year ended 28 February 2018.

Quantitative information of significant unobservable inputs and sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

The significant unobservable inputs used in fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity as at 31 August 2018 and 28 February 2018 are shown below:

	Value			Range			
	31.8.2018	Valuation	Unobservable	(weighted average)	Sensitivity	Effect	on Fair Value
	US\$'000	Technique	input		used		US\$'000
US micro-cap investments	453,456	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 12.6x (8.3x)	-0.5x / 0.5x	(33,612)	33,573
			Discount to Average Multiple	15% - 35% (23%)	+5% / -5%	(46,736)	45,331
European micro-cap investments	121,431	EBITDA Multiple	Average EBITDA Multiple of Peers	6.3x - 11.2x (8.7x)	-0.5x / 0.5x	(3,245)	3,235
			Discount to Average Multiple	3% - 41% (20%)	+5% / -5%	(2,193)	2,184
Real estate ²		Comparable Sales	Market Value Per Square Foot	\$314 - \$3,106 per sq ft	-5% / +5%	(14,850)	14,694

							(\$648)
	461,065	DCF Model/Income Approach	Discount Rate	5.5% - 7.5%	+25bps / -25bps	(1,666)	2,310
		Cap Rate/Income Approach	Capitalisation Rate	3.25 - 5.5%	+25bps / -25bps	(7,048)	6,289
	Value			Range (weighted average)	Sensitivity	Effect	on Fair Value
28.2.2018	Valuation	Unobservable	input				US\$'000
US micro-cap investments	488,258	EBITDA Multiple	Average EBITDA Multiple of Peers	6.0x - 12.6x (8.3x)	-0.5x / 0.5x	(32,783)	33,044
			Discount to Average Multiple	15% - 35% (25%)	+5% / -5%	(45,331)	46,736
European micro-cap investments	103,457	EBITDA Multiple	Average EBITDA Multiple of Peers	5.5x - 12.6x (8.1x)	-0.5x / 0.5x	(3,324)	3,324
			Discount to Average Multiple	13% - 45% (30%)	+5% / -5%	(2,833)	2,833
Real estate ²	463,391	Comparable Sales	Market Value Per Square Foot	\$314 - \$3,106 per sq ft	-5% / +5%	(14,057)	12,708
		DCF Model/Income Approach	Discount Rate	5.5% - 7.5%	+25bps / -25bps	(1,729)	2,345
		Cap Rate/Income Approach	Capitalisation Rate	3.25 - 5.5%	+25bps / -25bps	(9,527)	9,713

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

² The Fair Value of JZCP's investment in financial interests in real estate, is measured as JZCP's percentage interest in the value of the underlying properties. The Directors consider the discount rate used, applied to the DCF, when valuing the properties as the most significant unobservable input affecting the measurement of fair value.

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.

Period ended 31 August 2018

	US Micro-Cap	European Micro-Cap	Real Estate	Other Investments	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 1 March 2018	488,258	46,108	463,391	15,302	1,013,059
Investments in year including capital calls	69,114	14,737	34,923	2,000	120,774
Payment in kind ("PIK")	1,568	-	-	-	1,568
Proceeds from investments realised	(122,079)	-	(599)	-	(122,678)
Net gain/(loss) on investments	8,152	2,778	(36,650)	-	(25,720)

Movement in accrued interest	8,443	-	-	-	8,443
At 31 August 2018	453,456	63,623	461,065	17,302	995,446
Year ended 28 February 2018					
	US	European	Real	Other	
	Micro-Cap	Micro-Cap	Estate	Investments	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
At 1 March 2017	423,137	109,694	468,599	23,167	1,024,597
Investments in year including capital calls	36,592	8,649	47,227	4,000	96,468
Payment in kind ("PIK")	22,287	-	-	69	22,356
Proceeds from investments realised	(44,911)	(79,673)	(2,225)	(4,745)	(131,554)
Net gain/(loss) on investments	50,549	7,438	(50,210)	(7,189)	588
Movement in accrued interest	604	-	-	-	604
At 28 February 2018	488,258	46,108	463,391	15,302	1,013,059

Fair value of Zero Dividend Preference ("ZDP") shares

The fair value of the ZDP shares is deemed to be their quoted market price. As at 31 August 2018 the ask price for the ZDP (2022) shares was £4.38 (28 February 2018: £4.38 per share) the total fair value of the ZDP shares was \$67,790,000 (28 February 2018: \$71,863,000) which is \$6,992,000 (28 February 2018: \$9,020,000) higher than the liability recorded in the Statement of Financial Position.

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

6. Net Loss on Investments at Fair Value Through Profit or Loss

	Period ended	Period ended
	31.8.2018	31.8.2017
	US\$ '000	US\$ '000
Loss on investments held in investment portfolio at period end		
Net movement in period end unrealised gain position	(91,838)	(16,391)
Unrealised gains in prior periods now realised	66,753	-
Net unrealised losses in the period	(25,085)	(16,391)
Net (losses)/gains on investments realised in the period		
Proceeds from investments realised	172,523	26,538
Cost of investments realised	(106,405)	(26,975)
Unrealised gains in prior periods now	(66,753)	-

realised

Total net loss in the period on investments realised in the period	(635)	(437)
Net loss on investments in the period	(25,720)	(16,828)

Following a review of the categorisation of the Company's investments, it has been determined that loans to European micro-cap companies should be classified as Loans at amortised cost. The comparative totals within these interim financial statements have been adjusted to reflect the position if these investments had been categorised as Loans and Receivables under IAS 39, subsequently Loans at amortised cost under IFRS 9, and not as Investments at FVTPL. Therefore, the comparative figures have been amended to reallocate \$4,570,000 of gains on investments at FVTPL to foreign exchange gains.

7. Investment Income

	Period ended 31.8.2018	Period ended 31.8.2017
	US\$ '000	US\$ '000
Income from investments classified as FVTPL	10,735	9,871
Income from investments classified as loans at amortised cost	3,565	3,916
	14,300	13,787

Income for the period ended 31
August 2018

	Preferred Interest	Loan note PIK	Interest Cash	Other Interest	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
US micro-cap	9,899	112	638	-	10,649
European micro-cap	-	3,159	406	-	3,565
Real estate	-	-	-	59	59
Listed investments	-	-	-	27	27
	9,899	3,271	1,044	86	14,300

Income for the period ended 31
August 2017

	Preferred Interest	Loan note PIK	Interest Cash	Other Interest	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
US micro-cap portfolio	8,921	131	784	-	9,836
European micro-cap portfolio	-	3,037	879	-	3,916
Other	35	-	-	-	35

investments

8,956 3,168 1,663 - 13,787

8. Finance Costs

	Period ended	Period ended
	31.8.2018	31.8.2017
	US\$ '000	US\$ '000
CULS interest paid (Note 14)	1,631	1,454
Zero Dividend Preference shares (Note 15)	1,572	1,427
Loan - Guggenheim (Note 16)	5,923	5,451
	9,126	8,332

9. Fees Payable to the Investment Adviser

Investment Advisory and Performance fees

The Company entered into the amended and restated investment advisory and management agreement with Jordan/Zalaznick Advisers, Inc. (the "Investment Adviser") on 23 December 2010 (the "Advisory Agreement").

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

For the six-month period ended 31 August 2018, total investment advisory and management expenses, based on the average total assets of the Company, were included in the Statement of Comprehensive Income of US\$8,498,000 (period ended 31 August 2017: US\$8,458,000). Of this amount US\$2,210,000 (28 February 2018: US\$2,225,000) was due and payable at the period end.

The incentive fee has two parts. The first part is calculated by reference to the net investment income of the Company ("Income Incentive fee") and is payable quarterly in arrears provided that the net investment income for the quarter exceeds 2 per cent of the average of the net asset value of the Company for that quarter (the "hurdle") (8 per cent. annualised). The fee is an amount equal to (a) 100 per cent of that proportion of the net investment income for the quarter as exceeds the hurdle, up to an amount equal to a hurdle of 2.5%, and (b) 20 per cent of the net investment income of the Company above a hurdle of 2.5% in any quarter. Investments categorised as legacy investments and other assets identified by the Company as being excluded are excluded from the calculation of the fee. A true-up calculation is also prepared at the end of each financial year to determine if further fees are payable to the Investment Adviser or if any amounts are recoverable from future income incentive fees.

For the periods ended 31 August 2018 and 31 August 2017 there was no income incentive fee payable.

The second part of the incentive fee is calculated by reference to the net realised capital gains ("Capital Gains Incentive fee") of the Company and is equal to: (a) 20 per cent. of the realised capital gains of the Company for each financial year less all realised capital losses of the Company for the year less (b) the aggregate of all previous capital gains incentive fees paid by the Company to the Investment Adviser. The capital gains incentive is payable in arrears within 90 days of the fiscal year end. Investments categorised as legacy investments are excluded from the calculation of the fee. Assets of JZI Fund III, EuroMicrocap Fund 2010, L.P., and EuroMicrocap Fund-C, L.P are also excluded from the Capital Gains Incentive fee ("CGIF"). Carried interest, of an amount equivalent to the CGIF payable under the Advisory Agreement, is payable by the funds to an affiliate of JZAI.

For the purpose of calculating incentive fees cumulative preferred dividends received on the disposal of an investment are treated as a capital return rather than a receipt of income.

At 31 August 2018, a provision has been made for a CGIF of \$16,584,000 (28 February 2018: \$996,000) based on net realised gains.

The Company also provides for a CGIF based on unrealised gains, calculated on the same basis as that of the fee on realised gains/losses. For the period ended 31 August 2018 a provision of \$20,183,000 (28 February 2018: \$40,610,000) has been included.

	Provision At	Provision At	Paid during	Movement
	31.8.2018	28.2.2018	period	in
				provision
				for the
				period
				ended
	31.8.2018	28.2.2018	31.8.2018	31.8.2018
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Provision for CGIF on unrealised investments	20,183	40,610	n/a	(20,427)
CGIF on realised investments	16,584	996	996	16,584
	36,767	41,606	996	(3,843)
	Provision At	Provision At	Paid during	Movement
	31.8.2017	28.2.2017	period	in
				provision
				for the
				period
				ended
	31.8.2017	28.2.2017	31.8.2017	31.8.2017
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Provision for CGIF on unrealised investments	35,481	37,293	n/a	(1,812)

10. Taxation

The Company has been granted Guernsey tax exempt status in accordance with The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (as amended) in exchange for a £1,200 annual fee (31 August 2017: £1,200).

During the period ended 31 August 2017, the Company was refunded \$233,000 relating to tax previously withheld.

11. Investments

Category of financial instruments	Listed	Unlisted	Carrying Value
	31.8.2018	31.8.2018	31.8.2018
	US\$ '000	US\$ '000	US\$ '000
Investments at fair value through profit or loss	3,269	995,446	998,715
Loans at amortised cost	-	57,808	57,808
	3,269	1,053,254	1,056,523
	US\$ '000	US\$ '000	US\$ '000
Book cost at 1 March 2018	49,845	939,330	989,175
Investments in period including capital calls	3,267	133,077	136,344
Payment in kind ("PIK")	-	1,568	1,568
Proceeds from investments realised	(49,845)	(134,398)	(184,243)
Net realised gain	-	65,534	65,534
Book cost at 31 August 2018	3,267	1,005,111	1,008,378
Unrealised gains at 31 August 2018	-	15,281	15,281
Accrued interest at 31 August 2018	2	32,862	32,864
Carrying value at 31 August 2018	3,269	1,053,254	1,056,523

Category of financial instruments	Listed	Unlisted	Carrying Value
	28.2.2018	28.2.2018	28.2.2018
	US\$ '000	US\$ '000	US\$ '000
Investments at fair value through profit or loss	49,975	1,013,059	1,063,034
Loans at amortised cost	-	57,349	57,349
	49,975	1,070,408	1,120,383
	US\$ '000	US\$ '000	US\$ '000
Book cost at 1 March 2017	-	897,856	897,856
Investments in year including capital calls	74,767	103,039	177,806
Payment in kind ("PIK")	-	22,399	22,399
Proceeds from investments realised	(24,922)	(138,658)	(163,580)
Net realised gain	-	54,694	54,694
Book cost at 28 February 2018	49,845	939,330	989,175
Unrealised gains at 28 February 2018	-	108,914	108,914
Accrued interest at 28 February 2018	130	22,164	22,294
Carrying value at 28 February 2018	49,975	1,070,408	1,120,383

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

Loans at amortised cost¹

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

Interest on the loans accrues at the following rates:

As At 31 August 2018					As At 28 February 2018				
	8.0%	10.0%	14% ¹	Total	8.0%	10.0%	14% ²	Total	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
Loans at amortised cost	22,215	4,088	31,505	57,808	22,498	4,010	30,841	57,349	

Maturity dates are as follows:

As At 31 August 2018					As At 28 February 2018				
	0-6 months	7-12 months	1-2 years	Total	0-6 months	7-12 months	1-2 years	Total	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
Loans at amortised cost	4,088	31,505	22,215	57,808	-	26,508	30,841	57,349	

¹Borrower can elect to pay interest when due at 12% or to add the amount to the principal and have interest accrue at the higher rate of 14%.

12. Securities sold receivable

	31.8.2018	28.2.2018
	US\$ '000	US\$ '000
US Treasury Bills 15.3.2018	-	24,987
	-	24,987

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

13. Other Receivables

	31.8.2018	28.2.2018
	US\$ '000	US\$ '000
Accrued interest due from JZCP Realty, Ltd	495	495
Other receivables and prepayments	131	68
Deposits paid on behalf of JZCP Realty, Ltd	-	1,595
	626	2,158

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

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

CULS bear interest on their nominal amount at the rate of 6.00 per cent. per annum, payable semi-annually in arrears. During the six-month period ended 31 August 2018: \$1,631,000 (31 August 2017: \$1,454,000) of interest was paid to holders of CULS and is shown as a finance cost in the Statement of Comprehensive Income.

	31.8.2018	28.2.2018
	US\$ '000	US\$ '000
Fair Value of CULS at 1 March	59,970	57,063
Unrealised movement in fair value of CULS	(2,677)	(2,901)
Unrealised currency (gain)/loss to the Company on translation during the period	(3,248)	5,808
Total (gain)/loss on CULS	(5,925)	2,907
Fair Value of CULS based on offer price	54,045	59,970

15. Zero Dividend Preference ("ZDP") shares

On 1 October 2015, the Company rolled over 11,907,720 existing ZDP (2016) shares in to new ZDP shares with a 2022 maturity date. The new ZDP shares (ZDP 2022) have a gross redemption yield of 4.75% and a total redemption value of £57,598,000 (approximately \$74,863,000 using the period end exchange rate).

ZDP shares are designed to provide a pre-determined final capital entitlement which ranks behind the Company's creditors but in priority to the capital entitlements of the Ordinary shares. The ZDP shares carry no entitlement to income and the whole of their return

will therefore take the form of capital. In certain circumstances, ZDP shares carry the right to vote at general meetings of the Company as detailed in the Company's Memorandum of Articles and Incorporation. Issue costs are deducted from the cost of the liability and allocated to the Statement of Comprehensive Income over the life of the ZDP shares.

ZDP (2022)
shares

	31.8.2018	28.2.2018
	US\$ '000	US\$ '000
ZDP shares issued 1 October 2015		
Amortised cost at 1 March	62,843	53,935
Finance costs allocated to Statement of Comprehensive Income	1,572	2,996
Unrealised currency (gain)/loss on translation	(3,617)	5,912
Amortised cost at period end	60,798	62,843
Total number of ZDP shares in issue	11,907,720	11,907,720

16. Loans Payable

Guggenheim Partners Limited

On 12 June 2015, JZCP entered into a loan agreement with Guggenheim Partners Limited. The agreement was structured so that part of the proceeds (€18 million) were received and will be repaid in Euros and the remainder of the facility was received in US dollars (\$80 million). During April 2017, JZCP increased its credit facility with Guggenheim Partners by \$50 million. The entire facility may be repaid, in whole or in part, with no penalty.

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

At 31 August 2018, investments valued at \$940,611,000 (28 February 2018: \$978,090,000) were held as collateral for the loan. A covenant on the loan states the fair value of the collateral must be 4x the loan value and the cost of collateral must be at least 57.5% of total assets. The Company is also required to hold a minimum cash balance of \$15 million plus 50% of interest on any new debt. The Company continues to remain in full compliance with covenant terms.

	31.8.2018	28.2.2018
	US\$ '000	US\$ '000
Amortised cost (US\$ drawdown) - 1 March	128,407	78,572
Amortised cost (Euro drawdown) - 1 March	21,718	18,824
Interest paid	(5,720)	(9,750)
Unrealised currency (gain)/loss on translation of Euro drawdown	(999)	2,768
Finance costs charged to Statement of Comprehensive Income	5,923	11,551
Proceeds - April 2017 (US\$ further drawdown)	-	50,000
Issue costs paid	-	(1,840)
Amortised cost at period end	149,329	150,125
Amortised cost (US\$ drawdown)	128,551	128,407
Amortised cost (Euro drawdown)	20,778	21,718
	149,329	150,125

The carrying value of the loans approximates to fair value.

(1) LIBOR rates applied are the US dollar 3 month rate (\$80 million) and the Euro 3-month rate (€18 million).

17. Other Payables

	31.8.2018	28.2.2018
	US\$ '000	US\$ '000
Provision for tax on dividends received not withheld at source	1,401	1,401
Fees payable to auditor	230	223
Legal fees provision	250	250
Directors' remuneration	81	69
Other expenses	225	243
	2,187	2,186

18. Ordinary shares - Issued Capital

	31.8.2018	28.2.2018
	Number of shares	Number of shares
Total Ordinary shares in issue	82,846,107	83,907,516

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

During the period, the Company bought back 1,061,409 of its own Ordinary shares. The shares have subsequently been cancelled.

19. Commitments

At 31 August 2018 and 28 February 2018, JZCP had the following financial commitments outstanding in relation to fund investments:

	Expected date	31.8.2018	28.2.2018
	of Call	US\$ '000	US\$ '000
JZI Fund III GP, L.P. €34,387,560 (28.2.2018: 46,897,000)	Over 3 years	40,010	57,198
Spruceview Capital Partners, LLC	Over 1 year	2,990	4,990
Orizon	< 1 year	4,158	4,158
Suzo Happ Group	> 3 years	4,491	4,491
BSM Engenharia S.A.	> 3 years	2,085	2,085
Igloo Products Corp	> 3 years	771	771
		50,505	73,693

20. Related Party Transactions

JZCP invests in European micro-cap companies through JZI Fund III, L.P. ("Fund III"). Previously investments were made via the EuroMicrocap Fund 2010, L.P. ("EMC 2010") and EuroMicrocap Fund-C, L.P. ("EMCC"). Fund III, EMC 2010 and EMCC are managed by an affiliate of JZAI, JZCP's investment manager. JZAI was founded by David Zalaznick and John ("Jay") Jordan, II. At 31 August 2018, JZCP's investment in Fund III was valued at \$60,003,000 (28 February 2018: \$42,291,000). JZCP's investment in EMC 2010 was valued at \$29,000 (28 February 2018: \$33,000) and EMCC at \$3,591,000 (28 February 2018: \$3,784,000).

JZCP has invested in Spruceview Capital Partners, LLC on a 50:50 basis with Jay Jordan and David Zalaznick (or their respective affiliates). The total amount committed by JZCP to this investment at 31 August 2018, was \$30,000,000 with \$2,990,000 (28 February 2018: \$4,990,000) of commitments outstanding.

JZCP has co-invested with Fund A, Fund A Parallel I, II and III Limited Partnerships in a number of US micro-cap buyouts. These Limited Partnerships are managed by an affiliate of JZAI. JZCP invested in a ratio of 82%/18% with the Fund A entities. At 31 August 2018, the total value of JZCP's investment in these co-investments was \$280,014,000 (28 February 2018: \$354,617,000). Fund A, Fund A Parallel I, II and III Limited Partnerships are no longer making platform investments alongside JZCP.

JZAI is a US based company that provides advisory services to the Board of Directors of the Company in exchange for management fees, paid quarterly. Fees paid by the Company to the Investment Adviser are detailed in Note 9. JZAI and various affiliates provide services to certain JZCP portfolio companies and may receive fees for providing these services pursuant to the Advisory Agreement.

JZCP is able to invest up to \$75 million in "New JI Platform Companies". The platform companies are being established to invest primarily in buyouts and build-ups of companies and in growth company platforms in the US micro-cap market, primarily healthcare equipment companies. At 31 August 2018, JZCP had invested \$34.1 million (28 February 2018: \$30.6 million) in Avante (formerly named Jordan Health Products). JZCP co-invests 50/50 in the platform companies with other investors ("JI members"). David Zalaznick and an affiliated entity of Jay Jordan own approximately 33.7% of the JI members' ownership interests.

During the period, JZCP obtained shareholder approval to acquire a 27.7% stake in Deflecto Holdings, LLC from Edgewater Growth Capital Partners ("Edgewater"). Edgewater is a substantial shareholder of JZCP and therefore a related party of the Company. The acquisition cost was \$24,533,000 and the investment in Deflecto was valued at \$24,742,000 at 31 August 2018.

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

Total directors' remuneration for the six-month period ended 31 August 2018 was \$219,000 (31 August 2017: \$209,000). The increase in remuneration was due to the appointment, during June 2018, of Sharon Parr as an additional director.

21. Basic and Diluted Earnings/(loss) per share

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

For the period ended 31 August 2018 the weighted average number of Ordinary shares outstanding during the period was 83,456,487 (31 August 2017: 83,907,516).

The diluted earnings per share are calculated by considering adjustments required to the earnings and weighted average number of shares for the effects of potential dilutive Ordinary shares. The weighted average of the number of Ordinary shares is adjusted assuming the conversion of the CULS ("If-converted method"). Conversion is assumed even though at 31 August 2018 and 31 August 2017 the exercise price of the CULS is higher than the market price of the Company's Ordinary shares and are therefore deemed 'out of the money'. Earnings are adjusted to remove the fair value gain/(loss) on CULS \$5,925,000 (31 August 2017: (\$3,026,000)) and finance cost attributable to CULS \$1,631,000 (31 August 2017: \$1,454,000).

22. Contingent Assets

Amounts held in escrow accounts

When investments have been disposed of by the Company, proceeds may reflect contractual terms requiring that a percentage is held in an escrow account pending resolution of any indemnifiable claims that may arise. At 31 August 2018 and 28 February 2018, the Company has assessed that the likelihood of the recovery of these escrow accounts cannot be determined and has therefore disclosed the escrow accounts as a contingent asset.

As at 31 August 2018 and 28 February 2018, the Company had the following contingent assets held in escrow accounts which had not been recognised as assets of the Company:

	Amount in Escrow	
	31.8.2018	28.2.2018
	US\$'000	US\$'000
Bolder Healthcare Solutions	4,185	-
K2 Towers	1,123	1,551

Paragon	118	-
CBO Holdings	-	294
SPL	-	107
	5,426	1,952

During the period ended 31 August 2018, proceeds of \$2,085,000 (31 August 2017: \$1,173,000) were realised and recorded in the Statement of Comprehensive Income. Of the amount realised during the period, \$133,000 had not been recognised in the Company's escrow accounts at 28 February 2018. An additional \$5,426,000 has been recognised as a contingent asset in the period.

23. Notes to the Unaudited Statement of Cash Flows

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

	Period ended	Period ended
	31.8.2018	31.8.2017
	US\$ '000	US\$ '000
Loss for the period	(17,499)	(19,422)
Non cash flow adjustments		
Increase in other receivables	(63)	(24)
Increase/(decrease) in other payables	1	(49)
Decrease in amount owed to Investment Adviser	(4,854)	(1,574)
Net movement in unrealised gains/losses on investments	25,085	16,391
Unrealised (gain)/loss on financial liabilities at fair value through profit or loss	(5,925)	3,026
Net other unrealised foreign currency exchange gain	(2,024)	(751)
Unrealised finance costs	1,775	2,775
Increase in accrued interest on investments, accumulated preferred dividends and PIK	(12,138)	(13,346)
Reallocation of cash flows		
Realised loss on investments	635	437
Finance costs paid in period	7,351	5,557
Net cash outflow from operating activities	(7,656)	(6,980)
Income received during the period	Period ended	Period ended
	31.8.2018	31.8.2017
	US\$ '000	US\$ '000
Interest on investments	1,100	1,763
Current period accumulated preferred dividends received on realisation of investments	1,515	-
Bank interest	289	30
Interest on treasury bills	155	-
Return of withholding	-	233

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

24. Dividends Paid and Proposed

No dividends were paid or proposed in the six-month periods ended 31 August 2018 and 31 August 2017.

25. US GAAP reconciliation

These interim financial statements are prepared in accordance with IFRS, which in certain respects differ from the accounting principles generally accepted in the United States ("US GAAP"). It is the opinion of the Directors that these differences are not material and therefore no reconciliation between IFRS, as adopted by the EU, and US GAAP has been presented.

26. Subsequent Events

These interim financial statements were approved by the Board on 7 November 2018. Events subsequent to the period end (31 August 2018) have been evaluated until this date.

During September 2018, the Company realised, via a merger, its ownership interest of TWH Water Treatment Industries Inc, a segment of its Water Services vertical. JZCP realised \$31.3 million in initial gross proceeds from the sale.

Company Advisers

Investment Adviser

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

Jordan/Zalaznick Advisers, Inc.

9 West, 57th Street
New York NY 10019

Registered Office

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

JZ Capital Partners Limited is registered in Guernsey
Number 48761

Administrator, Registrar and Secretary

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(Guernsey) Limited
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UK Transfer and Paying Agent

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Financial Adviser and Broker

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25 Bank Street
London E14 5JP

US Bankers

HSBC Bank USA NA
452 Fifth Avenue
New York NY 10018

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

Guernsey Bankers

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Chicago IL 60601-9703

Guernsey Lawyers

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St Peter Port
Guernsey GY1 4HP

Useful Information for Shareholders

Listing

JZCP Ordinary, Zero Dividend Preference ("ZDP") shares and Convertible Unsecured Loan Stock ("CULS") are listed on the Official List of the Financial Services Authority of the UK, and are admitted to trading on the London Stock Exchange Specialist Fund Segment for listed securities.

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

ISIN/SEDOL numbers

	Ticker Symbol	ISIN Code	Sedol Number
Ordinary shares	JZCP	GG00B403HK58	B403HK5
ZDP (2022) shares	JZCZ	GG00BZ0RY036	Z0RY03
CULS	JZCC	GG00BP46PR08	BP46PR0

Key Information Documents

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

Alternative Performance Measures

In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the annual report and financial statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the annual report and financial statements, which are unaudited and outside the scope of IFRS, are deemed to be as follows:

Total NAV Return

The Total NAV Return measures how the net asset value (NAV) per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes NAV total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven year periods. It assumes that dividends paid to shareholders are reinvested back into the Company therefore future NAV gains are not diminished by the paying of dividends. JZCP also produces an adjusted Total NAV Return which excludes the effect of the appreciation/dilution per share caused by the buy back/issue of shares at a discount to NAV, the result of the adjusted Total NAV return is to provide a measurement of how the Company's Investment portfolio contributed to NAV growth adjusted for the Company's expenses and finance costs. The Total NAV Return for the period ended 31 August 2018 was -1.6%, which only reflects the change in NAV as no dividends were paid during the year. The Total NAV Return for the year ended 28 February 2018 was -1.4%.

Total Shareholder Return

A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. JZCP quotes shareholder price total return as a percentage change from the start of the period (one year) and also three-month, three-year, five-year and seven-year periods. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend. The Shareholder Return for the period ended 31 August 2018 was -1.6%, which only reflects the change in share price as no dividends were paid during the year. The Shareholder Return for the year ended 28 February 2018 was -16.2%.

NAV to market price discount

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

At 31 August 2018, JZCP's Ordinary shares traded at £4.44 (28 February 2018: £4.51) or \$5.77 (28 February 2018: \$6.21) being the dollar equivalent using the year end exchange rate of £1: \$1.30 (28 February 2018 £1: \$1.38). The shares traded at a 41% (28 February 2018: 38%) discount to the NAV per share of \$9.82 (2018: \$9.98).

Criminal Facilitation of Tax Evasion

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

Non-Mainstream Pooled Investments

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

Financial Diary

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

JZCP will be issuing an Interim Management Statement for the quarters ending 30 November 2018 and 31 May 2019. These

Statements will be sent to the market via RNS within six weeks from the end of the appropriate quarter, and will be posted on JZCP's website at the same time, or soon thereafter.

Payment of Dividends

In the event of a cash dividend being paid, the dividend will be sent by cheque to the first-named shareholder on the register of members at their registered address, together with a tax voucher. At shareholders' request, where they have elected to receive dividend proceeds in Sterling, the dividend may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System. Payments will be paid in US dollars unless the shareholder elects to receive the dividend in Sterling. Existing elections can be changed by contacting the Company's Transfer and Paying Agent, Equiniti Limited on +44 (0) 121 415 7047.

Share Dealing

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

Internet Address

The Company: www.jzcp.com

Foreign Account Tax Compliance Act

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

Share Register Enquiries

The Company's UK Transfer and Paying Agent, Equiniti Limited, maintains the share registers. In event of queries regarding your holding, please contact the Registrar on 0871 384 2265, calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday, if calling from overseas

+44 (0) 121 415 7047 or access their website at www.equiniti.com. Changes of name or address must be notified in writing to the Transfer and Paying Agent.

Nominee Share Code

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

Documents Available for Inspection

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

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

Warning to Shareholders – Boiler Room Scams

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

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

US Investors

General

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

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

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

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

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

US Securities Laws

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

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

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

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

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

The fiduciary provisions of pension codes applicable to governmental plans, non-US plans or other employee benefit plans or retirement arrangements that are not subject to ERISA (collectively, "Non-ERISA Plans") may impose limitations on investment in the Company. Fiduciaries of Non-ERISA Plans, in consultation with their advisors, should consider, to the extent applicable, the impact of such fiduciary rules and regulations on an investment in the Company.

Among other considerations, the fiduciary of a Non-ERISA Plan should take into account the composition of the Non-ERISA Plan's portfolio with respect to diversification; the cash flow needs of the Non-ERISA Plan and the effects thereon of the illiquidity of the investment; the economic terms of the Non-ERISA Plan's investment in the Company; the Non-ERISA Plan's funding objectives; the tax effects of the investment and the tax and other risks associated with the investment; the fact that the investors in the Company are expected to consist of a diverse group of investors (including taxable, tax-exempt, domestic and foreign entities) and the fact that the management of the Company will not take the particular objectives of any investors or class of investors into account.

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

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

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

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

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

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

US Tax Matters

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

The Board may decline to register a person as, or to require such person to cease to be, a holder of any class of ordinary shares or other equity securities of the Company because of, among other reasons, certain US ownership and transfer restrictions that relate to "controlled foreign corporations" contained in the Articles of the Company. A Shareholder of the Company may be subject to forced sale provisions contained in the Articles in which case such shareholder could be forced to dispose of its securities if the Company's directors believe that such shareholder is, or is related to, a citizen or resident of the United States, a US partnership, a US corporation or a certain type of estate or trust and that ownership of any class of ordinary shares or any other equity securities of the Company by such shareholder would materially increase the risk that the Company could be or become a "controlled foreign corporation" within the meaning of the Code (a "CFC"). Shareholders of the Company may also be restricted by such provisions with respect to the persons to whom they are permitted to transfer their securities.

In general, a foreign corporation is treated as a CFC if, on any date of its taxable year, its "10% US Shareholders" collectively own (directly, indirectly or constructively within the meaning of Section 958 of the Code) more than 50% of the total combined voting power or total value of the corporation's stock. For this purpose, a "10% US Shareholder" means any US person who owns (directly, indirectly or constructively within the meaning of Section 958 of the Code) 10% or more of the total combined voting power of all classes of stock of a foreign corporation or 10% or more of the total value of shares of all classes of stock of a foreign corporation. The Tax Cuts and Jobs Act (the "Tax Act") eliminated the prohibition on "downward attribution" from non-US persons to US persons under Section 958(b)(4) of the Code for purposes of determining constructive stock ownership under the CFC rules. As a result, the Company's US subsidiary will be deemed to own all of the stock of the Company's non-US subsidiaries held by the Company for purposes of determining such foreign subsidiaries' CFC status. The legislative history under the Tax Act indicates that this change was not intended to cause the Company's non-US subsidiaries to be treated as CFCs with respect to a 10% US Shareholder that is not related to the Company's US subsidiary. However, the IRS has not yet issued any guidance confirming this intent and it is not clear whether the IRS or a court would interpret the change made by the Tax Act in a manner consistent with such indicated intent. The Company's treatment as a CFC as well as its foreign subsidiaries' treatment as CFCs could have adverse tax consequences for 10% US Shareholders.

The Company has been advised that it is NOT a passive foreign investment company ("PFIC") for the fiscal years ended February 2017 and 2016. An analysis for the financial year ended 28 February 2018 is currently being undertaken. A classification as a PFIC would likely have adverse tax consequences for US taxpayers.

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

Investment Adviser's ADV Form

Shareholders and state securities authorities wishing to view the Investment Adviser's ADV form can do so by following the link below:

https://adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=160932