Interim Results 2011

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Burford Capital Limited

Interim Results 2011

Burford Capital Limited ("Burford Capital" or "Burford" or "the Company"), the commercial dispute investor, announces its financial results for the six month period ended 30 June 2011, along with a further update on developments in its investment portfolio to the date of this release.

Investment Portfolio Highlights(since the Company's last update on 30 June 2011):

- Trial victory: A matter in the short duration portfolio recently concluded a successful trial. Burford expects a profit in the matter of more than $10 million and as much as $16 million depending on matters relating to judgment interest and costs, as well as the return of Burford's $4 million investment made less than a year ago.

- Another complete resolution: A short duration investment is now completely resolved and Burford has received its full cash entitlement. Thus, a $6 million investment made a year ago has returned $10.5 million, for a profit of $4.5 million - an IRR of more than 80%.

- Between realisations and adjudications, the short duration portfolio is now running at a more than 90% expected return on invested capital across the eight matters resolved or adjudicated.

- Continuing new investments: In the two months since Burford's last update, the Company has committed a further $10 million in two new core investments.

- Litigation portfolio investment: Burford has made an investment in a fully secured, full recourse portfolio of litigation claims as an adjunct to its cash management program. The $30 million investment was made with unused cash and provides an annual yield of 13.5%.

Financial Highlights (for the period to 30 June 2011)

- Total income for the six month period: $11.5 million (June 2010: $4.0 million)
- Net profit for the period: $7.1 million (June 2010: $1.1 million)
- Total comprehensive income for the period: $9.1 million (June 2010: $1.1 million)
- NAV increased to $1.66 per share even after the dividend payment (December 2010: $1.64)
- More than $175 million of capital committed to date in 30 investments (June 2010: $64 million in 14 investments)
- Intention to deploy total capital raised by mid 2012

Sir Peter Middleton, Chairman of Burford Capital, commented:
"The results outline the significant progress Burford has made in growing a diversified portfolio of litigation-related investments, against a backdrop of economic and market volatility. Litigation funding as an asset class continues to evolve rapidly and we look forward to building on our position as a leading brand in the sector."
Christopher Bogart, Chief Executive Officer of Burford Group, commented:
"We're delighted with the ongoing performance of our portfolio, which has continued to mature and produce positive results. Since the period end, we have seen a continuing level of success from the short duration portfolio."

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About Burford Capital

Burford Capital Limited is a publicly listed fund that invests in commercial disputes. Using a portfolio investment approach, Burford Capital seeks to provide investors with attractive dividend returns and capital appreciation. Burford Capital is one of the largest dispute financiers in the world.

Burford Capital Limited is a closed-ended investment company registered in Guernsey and publicly traded on the London Stock Exchange's Alternative Investment Market (AIM) under the ticker symbol BUR.

Burford Group Limited acts as Investment Adviser to the Company.
www.burfordgroupltd.com

Chairman's Statement

On behalf of the directors, I am pleased to provide Burford's financial results for the period ended 30 June 2011 along with a more current update on the investment portfolio.

In the midst of economic uncertainty and market turmoil, Burford has been able to do just what it set out to do when we launched in late 2009:

- We have built a diversified portfolio of litigation-related investments
- We have established a leading brand in the commercial litigation finance sector
- The portfolio's shorter duration matters have done well, proving both the concept and our ability to select desirable investments
- We have had several positive resolutions, some of which have already generated cash returns and others of which are in the process of doing so
- We have provided and remain committed to providing shareholders with attractive levels of dividends and capital growth
- The business is solidly profitable

In short, we are pleased with where we are and with our ability to accomplish what we originally told investors we would do.

We are also now at the stage where we are comfortable with our core business of US commercial litigation and international arbitration. As such we believe we are well positioned to consider expanding into other markets and related lines of business, although we will only do so with a very keen eye to risk management and return potential.

We thank our investors for their continued support and confidence.

Sir Peter Middleton GCB
Chairman
6 September 2011

Investment Adviser's Report

At Burford Group, we are pleased with the recent progress that has been achieved.

We have seen ongoing interest in Burford's investment proposition and demand for capital, which has translated into continuing deployments of capital into new investments. At the same time, the portfolio has continued to mature and produce results.

We commented extensively in Burford's Annual Report on a variety of aspects of Burford's business and the macro environment, and those comments remain applicable today. Indeed, knowledge and acceptance of litigation funding continues to grow in the United States and beyond. For example, in June, the prestigious New York City Bar Association released a formal opinion about litigation funding that Reuters summarised as: "New York City Bar gives thumbs up to litigation funding".

In this interim report, we want to focus specifically on the investment portfolio.

INVESTMENT PORTFOLIO

Burford has committed more than $175 million of capital thus far across 30 investments, not including the litigation portfolio investment described in the investment highlights. We are solidly on our way to meeting the goal of deploying all the capital raised in December 2010 by the middle of next year.

Short Duration Portfolio Commentary

We have previously described litigation investments as inherently medium duration in nature, but we have also suggested that we would be able to construct a portfolio of litigation investments of varying duration by seeking out short duration matters as well as investing in matters closer to inception so that we could both prove the concept and generate early returns.

That strategy has been successful.

Burford has had eight investments that have either completely concluded or have won at trial. Approximately $35 million has been invested across those investments. Assuming the adjudicated amounts are paid in the manner we expect, we will have received $67 million from those investments, for a return of 91% on invested capital across investments with an average duration of less than two years (and in a number of cases below one year - and in one case, only ten days).

We have already received approximately $27 million in cash realisations from those eight investments, and we have a further approximately $40 million (or more[1]) in adjudicated results that have not yet been paid.[2]

Moreover, we have three more investments in the short duration portfolio that have not yet proceeded to settlement or adjudication, although there have been substantial developments in all three matters and two of them have completed merits hearings and are awaiting decision. We have $16 million in invested capital across those three matters.

[1]We include the new trial victory described in highlights at $10 million, the low end of its likely range of $10-16 million.

[2]These amounts are net of the negative effect of an investment previously identified as likely to disappoint, which has now been written off in full at 30 June 2011.

For consistency of presentation, we update here the information last provided on 30 June 2011:

	Current position	Position as at 30 June 2011
Fully resolved, proceeds received	3 matters	2 matters
Favourable resolutions, awaiting funds	1 matter	2 matters
Positive trial result	2 matters	1 matter
Positive appeal result	1 matter	1 matter
Merits hearing completed, awaiting decision	2 matters (including one matter migrated to short duration portfolio in the current period)[3]	1 matter
Trial date next month	No matters: Trial success; matter moved to positive trial result	1 matter
Litigation continuing	1 matter	1 matter
Likely to disappoint	No matters, prior matter now written off	1 matter

As to specific developments since our last report to investors on 30 June 2011:

- Trial victory: A matter in the short duration portfolio recently concluded a successful trial. In addition to the return of Burford's $4 million investment made less than a year ago, Burford expects a profit in the matter of more than $10 million and as much as $16 million depending on matters relating to judgment interest and costs.

- Another complete resolution: We previously reported on the favourable resolution of a $6 million short duration investment, but at the time of our last report timing and collection risk remained. That matter is now completely resolved and Burford has received its full cash entitlement. Thus, a $6 million investment made in September 2010 has returned $10.5 million in August 2011, for a gross profit of $4.5 million in less than a year - an IRR of more than 80%.

There obviously remain timing and substantive risks to all our anticipated returns until Burford actually receives the cash proceeds from each matter - although our deal terms often include a time-based element, so there can also be further benefits to delays in payment. The substantive risks include appellate reversal; settlement that expedites the receipt of proceeds but reduces returns; and collection risks.

Given the success of the short duration portfolio to date, we continue to explore new short duration investments.

[3]Based on investor feedback we are considering whether to continue to migrate core matters to the short duration portfolio as they mature or to leave matters in the portfolio segment in which they were originally booked. However, we have migrated one case from core to short duration in the current period pending the outcome of the Board's consideration of this issue.

Core Portfolio Commentary

The core portfolio now consists of sixteen investments with total capital commitments of approximately $100 million.[4]

We are pleased with the broad diversification of the core portfolio across a number of criteria, including case type, jurisdiction, likely duration and law firm. The portfolio includes matters at the inception of the litigation process all the way to matters in which judgments have already been entered that are on appeal, and has a good balance of matters in various US state and federal courts, as well as international arbitration matters.

[4]It should be noted that when Burford enters into agreements to fund international arbitration matters, one of its core areas of business, it typically does so using a form

of agreement that commits the claimant to Burford irrevocably on agreed terms but provides a period of further case development during which Burford is free to withdraw unilaterally from the agreement with no penalty and usually without having expended any capital. This approach is desirable because it ensures that we do not expend undue time and resources on intensive diligence without being sure that we can fund the case on agreed terms once the diligence is completed. As a result, although we report matters once definitive agreements have been signed, there remains the possibility that in some matters Burford will elect not to proceed in light of further information learned during the case development period. We elected to discontinue consideration of one such matter, with a $4 million commitment, in the current period, and have thus removed the matter from our total commitments. No other such matters are presently pending in the diligence period.

Special Situations Portfolio Commentary

We have three investments in the special situations portfolio, which is reserved for matters with risk/return profiles that are appealing but do not fit into the investment objectives of the core portfolio. At the time of investment, the three matters represented a total commitment of $25 million. We have previously disclosed the sale of a $4 million participation in one of the investments, reducing our total commitments accordingly.

We continue to consider potential matters for inclusion in this portfolio.

FINANCIAL PERFORMANCE

For the six months ended 30 June 2011, Burford Capital posted $11.5 million of total income, $8.6 million of which represents net realised gains on the litigation investment portfolio and $2.9 million of which was income from our cash management activities. That is a meaningful increase in income, reflecting the portfolio's increasing level of activity.

Burford's operating expenses were $4.4 million for the half-year. Burford's expenses benefit from the business model of the Investment Adviser, which is to perform a substantial amount of investment analysis and due diligence in-house (as opposed to the model of relying heavily on outside counsel, which in addition to substituting lawyers for investment professionals makes the process more expensive and less nimble). Burford's expenses also benefited from our increasing ability to require counterparties to bear closing costs and to pay those costs in the event an investment does not ultimately close, thus reducing costs incurred on investments that we pursued but ultimately did not close.

As is customary for Burford, there is a lag between commitments and actual capital invested; thus the balance sheet continues to show an invested amount lower than the commitments we report here. The other balance sheet issues, including the fair value accounting approach for this asset class, have been discussed at length previously.

We are very pleased with Burford's performance to date, and look forward to reporting continued growth and success.

Christopher Bogart
Chief Executive Officer

Jonathan Molot
Chief Investment Officer

Burford Group Limited

6 September 2011

Consolidated Statement of Comprehensive Income for the period ended 30 June 2011

	Notes	1 January 2011 to 30 June 2011 US$'000	11 September 2009 to 30 June 2010 US$'000
Income			
Net interest income		1	54
Net gains on financial assets designated at fair value through profit or loss	6	2,930	522
Net gains on investments in claims	7	8,563	3,971
Net foreign exchange gain/(loss)		10	(522)
Total income		11,504	4,025
Operating expenses	4	(4,369)	(2,882)
Profit for the period before taxation		7,135	1,143
Taxation	5	-	-
Profit for the period after taxation		7,135	1,143
Other comprehensive income			
Fair value change in available for sale financial assets	7	1,946	-
Total comprehensive income for the period		9,081	1,143
		Cents	**Cents**
Basic and diluted profit per Ordinary Share	11	3.96	1.66

Basic and diluted comprehensive income per Ordinary Share	11	5.04	1.66

The notes on pages 12 to 28 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at 30 June 2011

	Note	30 June 2011 US$'000	31 December 2010 US$'000
Assets			
Non-current assets			
Available for sale financial assets	7	96,076	61,819
Current assets			
Financial assets designated at fair value through profit or loss	6	161,260	230,027
Due from settlement of available for sale financial assets		14,500	-
Due from sales of financial assets designated at fair value through profit or loss		23,000	-
Receivables and prepayments	8	372	674
Cash and cash equivalents		5,558	8,997
		204,690	239,698
Total assets		300,766	301,517
Liabilities			
Current liabilities			
Payables	9	2,498	5,690
Total liabilities		2,498	5,690
Total net assets		298,268	295,827
Represented by:			
Share capital	10	290,524	290,577
Revenue reserve		2,041	1,493
Other reserve		5,703	3,757
Total equity shareholders' funds		298,268	295,827

		Cents	Cents
Net asset value per share			
Net asset value per Ordinary Share (computed pursuant to IFRS)	11	165.70	164.35
"Cash" net asset value per Ordinary Share	11	160.14	162.00

The notes on pages 12 to 28 form an integral part of these consolidated financial statements.

The financial statements on pages 8 to 28 were approved by the Board of Directors on 6 September 2011 and were signed on its behalf by:

Charles Parkinson
Director

Consolidated Statement of Cash Flows for the period ended 30 June 2011

	1 January 2011 to 30 June 2011 US$'000	11 September 2009 to 30 June 2010 US$'000
Cash flows from operating activities		
Profit for the period before tax	7,135	1,143
Adjusted for:		
Fair value change on financial assets designated at fair value through profit or loss	(1,778)	341
Realised gains on disposal of financial assets designated at fair value through profit or loss	(25)	(51)
Realised gains on investments in claims	(8,563)	(3,971)
Gain on forward exchange contract	-	(253)
Effect of exchange rate changes on cash and cash equivalents	(10)	677
	(3,241)	(2,114)
Changes in working capital		
Decrease/(increase) in receivables	302	(1,056)
(Decrease)/increase in payables	(253)	156
Taxation paid	(357)	-
Net proceeds from disposal/(net purchases) of interest bearing debt securities	47,570	(86,822)
Purchase of investments in claims	(40,899)	(25,847)
Proceeds from investments in claims	-	6,000
Net cash inflow/(outflow) from operating activities	3,122	(109,683)
Cash flows from financing activities		
Issue of shares	-	130,736
Issue expenses	(53)	(6,885)
Dividend paid	(6,587)	-
Net cash (outflow)/inflow from financing activities	(6,640)	123,851
Net (decrease)/increase in cash and cash equivalents	(3,518)	14,168
Reconciliation of net cash flow to movements in cash and cash equivalents		

Cash and cash equivalents at beginning of period	8,997	-
(Decrease)/increase in cash and cash equivalents	(3,518)	14,168
Effect of exchange rate changes on cash and cash equivalents	10	(677)
Cash and cash equivalents at end of period	5,489	13,491

The notes on pages 12 to 28 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the period to 30 June 2011

30 June 2011	**Share capital US$'000**	**Revenue reserve US$'000**	**Available for sale reserve US$'000**	TOTAL US$'000
At 1 January 2011	290,577	1,493	3,757	295,827
Issue expenses	(53)	-	-	(53)
Profit for the period	-	7,135	-	7,135
Other comprehensive income	-	-	1,946	1,946
Dividends paid	-	(6,587)	-	(6,587)
Balance as at 30 June 2011	290,524	2,041	5,703	298,268

30 June 2010	Share capital	Revenue reserve	Available for sale reserve	TOTAL
	US$'000	US$'000	US$'000	US$'000
Issue of shares	130,736	-	-	130,736
Issue expenses	(6,885)	-	-	(6,885)
Profit for the period	-	1,143	-	1,143
Balance as at 30 June 2010	123,851	1,143	-	124,994

The notes on pages 12 to 28 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Legal form and principal activity

Burford Capital Limited (the "Company") and its subsidiaries (the "Subsidiaries") (together the "Group") provide investment capital with a focus on the litigation and arbitration sector (collectively, "investments in claims"). The Company is a closed-ended investment company which was incorporated under The Companies (Guernsey) Law, 2008 (the "Law") on 11 September 2009. Shares in the Company were admitted to trading on AIM, a market operated by the London Stock Exchange, on 21 October 2009. These interim condensed consolidated financial statements cover the period from 1 January 2011 to 30 June 2011.

The Company has no employees.

2. Principal accounting policies

There have been no changes to the Group's principal risks and uncertainties in the six month period ended 30 June 2011 and the Board does not anticipate any changes to the principal risks and uncertainties in the second half of the year.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of accounting
These consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements but these financial statements do not contain all the information and disclosures as presented in the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB). IFRS require management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets that are not apparent from other sources. Actual results may differ from these estimates.

The consolidated condensed interim financial statements are presented in United States Dollars and are rounded to the nearest US$'000 unless otherwise indicated.

Significant estimates - valuation of investments in claims
The most significant estimates relate to the valuation of investments in claims which are determined by the Investment Adviser and approved by the directors.

Fair values are determined on case specifics and will typically change upon a claim progressing through a key stage in the litigation or arbitration process in a manner that, in the Investment Adviser's and directors' judgement, would result in a third party being prepared to pay an amount different from the original sum invested for the Company's rights in connection with the claim. Positive, material progression of a case will give rise to an increase in fair value whilst adverse developments give rise to a reduction. The quantum of change depends on the potential future stages of case progression. The consequent effect when an adjustment is made is that the fair value of a case with few remaining stages is adjusted closer to its predicted final outcome than one with many remaining stages.

In litigation matters, before a judgement is entered following trial or other adjudication, the key stages of any matter and their impact on fair value are substantially case specific but may include the motion to dismiss and the summary judgement stages. Following adjudication, appeals proceedings provide further opportunities to re-assess the fair value of an investment. Arbitration matters tend to have fewer stages at which a re-assessment of fair value is appropriate, often being limited to the issuance of an award by the tribunal and any permissible challenges thereafter.

The estimation of fair value is inherently uncertain. Awards and settlements are hard to predict and often have a wide range of possible outcomes. Furthermore, there is much unpredictability in the actions of

courts, litigants and defendants because of the large number of variables involved and consequent difficulty of predictive analysis, In addition there is little activity in transacting investments in claims, hence little relevant data for benchmarking the effect of case progression on fair value.

Basis of preparation
The financial statements have been prepared on a going concern basis under the historical cost convention adjusted to take account of the revaluation of the Group's investments to fair value.

IASB and IFRIC have issued the following standards and interpretations which are not yet effective and have not been adopted:

		Effective date
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
IFRS 3	Business combinations (amendment)	1 July 2011
IFRS 7	Disclosures - transfers of financial assets (amendment)	1 July 2011
IFRS 9	Financial instruments	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interest in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

IFRS 9 removes the available for sale classification. It is anticipated that the Group's investments in claims will fall within the fair value through profit or loss category. Consequently transaction costs will be expensed rather than included in the cost of the investment. No formal analysis has been completed on the impact of the adoption of any of the other standards and interpretations on the Group's financial statements in the period of initial application

Basis of consolidation
The consolidated financial statements comprise the financial statements of Burford Capital Limited and the Subsidiaries. All the Subsidiaries are consolidated in full from the date of acquisition.

All intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in full.

The Subsidiaries' accounting policies and financial year end are consistent with those of the Company.

Geographical and segment reporting
For management purposes, the Group is organised into one business segment, which invests in claims. All of the Group's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. The Board consider that there is only one geographical segment, this being a worldwide segment.

Financial instruments
The Company classifies its financial assets into the categories below in accordance with IAS 39: 'Financial Instruments: Recognition and Measurement'.

1) Financial assets designated at fair value through profit or loss
Investments for the purpose of cash management, acquired to generate returns on cash balances awaiting subsequent investment in claims and which are managed and evaluated on a fair value basis, are designated at fair value through profit or loss at the time of acquisition. Their initial fair value is the cost incurred at their acquisition. Transaction costs incurred are expensed in the Consolidated Statement of Comprehensive Income.

Recognition, derecognition and measurement
Financial assets designated at fair value through profit or loss are recorded on the trade date. Financial assets at fair value through profit or loss held at the Balance Sheet date are valued at bid price.

Movements in the difference between cost and valuation and realised gains and losses on disposal or maturity of investments, including interest income, are reflected in income in the Consolidated Statement of Comprehensive Income.

2) Available for sale financial assets
Unless otherwise determined by the Company, investments in claims are categorised as available for sale financial assets. Investments in claims are initially measured as the cash sum invested in connection with a claim. Attributable due diligence and closing costs are included in the cost of the investment.

Recognition, derecognition and measurement
Purchases and sales of available for sale financial assets are generally recognised on the trade date, being the date on which the Group disburses funds in connection with the investment in a claim (or becomes contractually committed to pay a fixed amount on a certain date, if earlier). In some cases multiple disbursements occur over time. The investments in claims are measured as the sum invested in connection with a claim including attributable due diligence and closing costs. Sales of available for sale financial assets are generally recognised on the date on which the Group receives, or becomes contractually entitled to receive, cash or marketable securities in connection with the resolution of a claim. Proceeds from partial settlements are allocated between cost and gain based on the cost

attributable to the party settling. Any gain or loss is recognised in the Consolidated Statement of Comprehensive Income.

Subsequent to initial measurement and prior to actual realisation, investments in claims are measured at fair value.

Increases and insignificant short-term decreases in fair value related to each claim are taken to the available for sale reserve in equity and other comprehensive income. When actual gains or losses with respect to each claim occur, they are recorded in income and reversed out of other comprehensive income.

An impairment loss is recognised where, as a result of one or more events that have occurred since initial recognition, there has been a significant or prolonged reduction in the fair value of the case below cost. Impairment losses are recognised as a charge against profit for the period in the Consolidated Statement of Comprehensive Income. Should any subsequent increases in the fair value occur after an impairment has been recognised, they are accounted for in other comprehensive income, and the original impairment is not reversed through profit for the period.

Investment sub-participation
Investment sub-participations are classified as financial liabilities and are initially recorded at the fair value of proceeds received. They are subsequently measured at fair value with changes in fair value being recorded in net gains on investments in claims in the Statement of Comprehensive Income.

Fair value hierarchy of financial instruments
The financial assets measured at fair value are disclosed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements, as follows:
Level 1 - Quoted prices in active markets for identical assets or liabilities.
Level 2 - Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 - Those inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Due diligence costs
Due diligence costs and closing costs attributable to investments in claims are included in the cost of the investment. Due diligence costs attributable to potential investments that the Company has decided not to pursue have been expensed in the Consolidated Statement of Comprehensive Income. Due diligence costs attributable to potential investments that remain under consideration at period end have been capitalised and are included within receivables and prepayments.

Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company as determined in accordance

with IFRS is the United States Dollar ("US Dollar") because this is the currency that best reflects the economic substance of the underlying events and circumstances of the Company and its Subsidiaries. The consolidated financial statements are presented in US Dollars, the presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income as part of the profit or loss for the period.

Bank interest income
Bank interest income is recognised on an accruals basis.

Net gains on financial assets designated at fair value through profit or loss
Listed interest bearing debt securities are valued at their quoted bid price. Movements in fair value are included within net gains on financial assets designated at fair value through profit or loss. Interest earned on these investments is recognised on an accruals basis. Listed corporate bond funds are valued at their quoted bid price. Movements in fair value are included within net gains on financial assets designated at fair value through profit or loss in the Consolidated Statement of Comprehensive Income.

Expenses
All expenses are accounted for on an accruals basis.

Cash and cash equivalents
Cash and cash equivalents are defined as cash in hand, demand deposits, and highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents at the balance sheet date comprised amounts held on current or overnight deposit accounts.

Taxation
The Company has obtained exempt company status in Guernsey. The Company is, therefore, only liable to an annual Guernsey exemption fee of £600.

To the extent that any foreign withholding taxes or any form of profits taxes become payable these will be accrued on the basis of the event that creates the liability to taxation.

Dividends
Dividends paid during the period are dealt with in the statement of changes in equity. Dividends proposed but not approved by Shareholders are disclosed in the notes as commitments.

Receivables and prepayments
Receivables and prepayments are recognised at nominal value, less provision for impairments for non-recoverable amounts. They do not

carry any interest.

Payables
Payables are recognised at nominal value and are non-interest bearing.

Capital and reserves
Ordinary shares are classified as equity in share capital. Incremental costs directly attributable to the issue of new shares are deducted from equity in share capital.

Forward foreign exchange contracts
Forward foreign exchange contracts are valued by reference to similar contracts settled at the balance sheet date. Fluctuations in the fair value of open forward foreign exchange contracts are recorded as unrealised gains or losses. Upon the closing of a contract the gain or loss is recorded as a realised gain or loss. Realised and unrealised gains and losses are disclosed as foreign exchange gain or loss in the Consolidated Statement of Comprehensive Income.

3. Material agreements

a) Investment Adviser's fee

Under the terms of an Investment Adviser Agreement (the "Investment Adviser Agreement") dated 16 October 2009, as amended, the Company appointed Burford Group Limited (the "Investment Adviser") to provide advisory services to the Company. The Investment Adviser is entitled to be paid a fee based on the adjusted net asset value of the Company, payable quarterly in advance at an annual rate of 2 per cent, provided, however, that the adjusted net asset value for the period from Admission to 9 December 2010 excluded the impact of the Placing. The adjusted net asset value of the Company means the Net Asset Value ("NAV") at the relevant time, after accruing for the annual advisory fee but not taking into account any liability of the Company for accrued performance fees and after:

(i) deducting any unrealised gains on investments; and

(ii) adding the amount of any write downs with respect to investments which have not been written off in full.

b) Performance fee

Under the terms of the Investment Adviser Agreement the Investment Adviser is entitled to be paid a performance fee on the following basis:

(i) If the Cash NAV on any Calculation Date represents at least acumulative non-compounded 8% return from Admission (computed to take effect of the Placing Proceeds beginning on 10 December 2010) (the "Preferred Return") and exceeds the Cash NAV on the previous occasion on which a performance fee was payable ("High Water Mark"), the Investment Adviser is entitled to a performance fee equal to 20% of the increase in Cash NAV since the last High Water Mark,

payable only to the extent it would not reduce the return below the Preferred Return.

(ii) 30% of the performance fee paid for any accounting period (the "Provisional Amount") shall be subject to clawback. If the Cash NAV on the third anniversary of the end of the relevant accounting period (the "Testing Date") does not represent at least the Preferred Return, that period's Provisional Amount (but no more) shall be repaid to the extent necessary to restore the Fund to the Preferred Return as at the Testing Date.

(iii) If any shares are issued by the Company after the date of Admission, the basis of calculation of the performance fee shall be adjusted in a fair and equitable manner as agreed between the parties or, in default of such agreement, determined in accordance with the dispute resolution procedures.

(iv) Subject to paragraph (v) below, 30% of the performance fee paid for any accounting period shall be applied in subscribing for ordinary shares in the Company at the higher of (1) Cash NAV on the Calculation Date and (2) provided at least 300,000 shares are traded during the period, the average mid-market price of the Company's ordinary shares over the 60 calendar days following the Calculation Date. The Investment Adviser shall be entitled to payment of an amount equal to the dividends which would have been payable on such shares had they been issued on the Calculation Date, as and when such dividends are paid. Such shares shall not be issued to the Investment Adviser until the determination of whether a repayment of all or part of the relevant Provisional Amount is due under paragraph (ii) above. If the Investment Adviser fails to make any repayment due within the required period, the Investment Adviser shall forfeit its right to such number of the shares as will satisfy the repayment obligation.

(v) Shares shall not be issued to the Investment Adviser under paragraph (iv) above if and to the extent that their acquisition by the Investment Adviser and persons acting in concert with it (for the purpose of the City Code on Takeovers and Mergers) amounts to 30% or more of the voting rights of the Company and such entitlement shall instead be payable in cash.

"Calculation Date" means the last day of any annual accounting period of the Company or the date upon which the Investment Adviser Agreement terminates.

"Cash NAV" means on any date an amount equal to the sum of:

(a) the Net Proceeds and, only from 10 December 2010, the Placing Proceeds, subject to (vi)

below; plus

(b) the cash amount of any gains and other income received by the Company; less

(c) the cash amount invested in investments written off; less

(d) all costs and expenses incurred by the Company (which, for the avoidance of doubt, shall not include any dividends paid to shareholders of the Company).

"Net Proceeds" means the proceeds of the Placing less the cost of formation of the Company, the Placing and Admission.

(vi) there shall be added to the Net Proceeds on the Admission date and on the day following each of the following 5 Calculation Dates one-sixth of the costs borne by the Company in relation to its establishment, the Placing and Admission, and there shall be added to the Placing Proceeds on 10 December 2010 and on the day following each of the following 5 Calculation Dates one-sixth of the costs borne by the Company in relation to the Placing.

c) Administration fee

Under the terms of an administration agreement dated 15 October 2009 between the Company and International Administration (Guernsey) Limited (the "Administrator"), as amended by a side letter dated 23 December 2010, effective 1 January 2011, the Administrator is entitled to receive an annual fee of £134,375, payable quarterly in advance, and further fees for the administration of the Subsidiaries.

d) Cash management arrangements

The Company retained Potomac River Capital LLC ("Potomac") to provide treasury management services and to perform investment services with respect to the Company's surplus cash pending investment in claims. The Company paid Potomac approximately $159,000 for those services in the period ended 30 June 2010. The agreement with Potomac was amended with effect from 1 January 2011 and no fees were payable from that date.

4. Total operating expenses

	30 June 2011 US$'000	30 June 2010 US$'000
Administration fees	158	111
Audit fees	93	67
Custodian fees	22	29
Directors' remuneration and expenses	426	353
General expenses	308	239
Insurance	57	118
Investment advisory fee	2,924	1,679
Investment due diligence expenses	44	25
Legal and other professional expenses	337	261
	4,369	2,882

5. Taxation

The Company is exempt from tax in Guernsey. In certain cases a subsidiary of the Company may elect to make use of investment structures that are subject to income tax in a country related to the investment.

6. Financial assets designated at fair value through profit or loss

	30 June 2011 US$'000	31 December 2010 US$'000
Listed interest bearing debt securities - fixed	19,287	206,101
Listed interest bearing debt securities - floating	7,004	8,487
Listed corporate bond fund	16,314	15,439
Unlisted fixed income and investment funds	118,655	-
	161,260	230,027

Reconciliation of movements:	30 June 2011 US$'000	31 December 2010 US$'000
Balance at 1 January 2011/11 September 2009	230,027	-
Purchases	499,815	1,041,658
Proceeds on disposal	(570,385)	(811,532)
Realised profit/(losses) on disposal	25	(160)
Fair value change in period	1,778	61
Balance at 30 June 2011/31 December 2010	161,260	230,027

During the period ended 31 December 2010, the bulk of the Company's investments in financial assets designated at fair value through profit or loss - cash management investments - were in commercial paper or government or corporate bonds. From time to time the Company purchased securities at prices in excess of their face value if doing so provided effective interest rates above current market rates. Such purchases produce realised losses on disposal in addition to interest income disclosed separately. In the period ended 30 June 2011 the bulk of the financial assets designated at fair value through profit or loss are in fixed income and investment funds.

Net changes in financial assets designated at fair value through profit or loss:	30 June 2011 US$'000	30 June 2010 US$'000
Realised (including interest income)	1,152	377
Unrealised	1,778	304
Cash management fees	-	(159)
Total gains	2,930	522

Fair value measurements are based on level 1 inputs of the three level hierarchy system for US$ 42,605,000 (2010: US$77,920,000) of the financial assets designated at fair value through profit and loss which indicates inputs based on quoted prices in active markets for identical assets. For US$118,655,000 (2010: US$152,107,000) of the financial assets designated at fair value through profit and loss (including commercial paper) fair value measurements are based on level 2 inputs of the three level hierarchy system which indicates inputs other than quoted prices included in level 1 that are observable, either directly (as prices) or indirectly (derived from prices).

7. Available for sale financial assets

The Company structures its investment portfolio to include a mixture of shorter duration investments intended to produce short-term returns, medium duration or "core" investments and "special situations" investments with higher risk and longer duration designed to add noteworthy returns to the portfolio over time. The Company classifies its available for sale financial assets into tranches consistent with the foregoing portfolio structure as outlined below and reclassifies as appropriate, especially as "core" investments approach realisation and become more appropriately classified as short duration investments.

30 June 2011

	Balance at fair value as at 1 January 2011	Additions	Real-isations	Transfers	Net realised gain for period	Fair value movement	Balance at fair value as at 30 June 2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Short Duration Investments	38,073	2,654	(14,500)	3,287	5,896	1,439	36,849
Core Investments	15,662	34,965	-	(3,287)	-	-	47,340
Special Situations Investments	8,084	3,296	-	-	-	507	11,887
Total available for sale financial assets	61,819	40,915	(14,500)	-	5,896	1,946	96,076

The net gains on investments in claims included on the face of the Consolidated Statement of Comprehensive Income comprise:

	30 June 2011 US$'000	30 June 2010 US$'000
Net realised gain for period	7,742	3,971
Impairment in respect of short duration investment	(1,846)	-
Net gains on available for sale financial assets (above)	5,896	3,971
Reduction in liability for investment sub-participation	2,667	-
Net gains on investments in claims	8,563	3,971

31 December 2010

	Additions	Real-isations	Net realised gain for period	Fair value movement	Balance at fair value as at 31 December 2010
	US$'000	US$'000	US$'000	US$'000	US$'000
Short Duration Investments	45,810	(16,632)	5,138	3,757	38,073
Core Investments	15,662	-	-	-	15,662
Special Situations Investments	8,084	-	-	-	8,084
Total available for sale financial assets	69,556	(16,632)	5,138	3,757	61,819

Fair value measurements are based on Level 3 inputs of the three level hierarchy system which indicates inputs for the assets that are not based on observable market data (unobservable inputs).

8. Receivables and prepayments

	30 June 2011 US$'000	31 December 2010 US$'000
Prepayments accrued	54	135
Accrued bond interest	318	539
	372	674

9. Payables

	30 June 2011 US$'000	31 December 2010 US$'000
Audit fee payable	72	53
General expenses payable	20	119
Investment advisory fee payable	106	279
Investment costs payable	898	882
Taxation	-	357
Investment sub-participation in advance	-	4,000
Investment sub-participation	1,333	-
Bank overdraft	69	-
	2,498	5,690

10. Share capital

Authorised share capital	31 December 2010 and 30 June 2011 US$'000
Unlimited Ordinary shares of no par value	-

Issued share capital Ordinary Shares of no par value	Number
At 30 June 2011 and 31 December 2010	180,000,001

	30 June 2011 US$'000	31 December 2010 US$'000
At 1 January 2011/11 September 2009	290,577	-
Proceeds arising on issue of 1 Ordinary Share at 100p on 11 September 2009	-	-
Proceeds arising on issue of 80,000,000 Ordinary Shares at 100p on 21 October 2009	-	130,736
Allocation of issue costs	-	(6,885)
Proceeds arising on issue of 100,000,000 Ordinary Shares at 110p on 9 December 2010	-	172,485
Allocation of issue costs	(53)	(5,759)
Balance at period end	290,524	290,577

The Company has authority to make market purchases of up to 15 per cent of its own issued Ordinary Shares, expiring at the conclusion of the 2012 AGM. The Board intends to exercise the authority according to circumstances and regulatory requirements at the time if and when the Ordinary Shares have traded on AIM for a period of 20 consecutive days or more at a price below 90 per cent of the last published Cash NAV.

11. Profit per Ordinary Share, Comprehensive Income per Ordinary Share and net asset value per Ordinary Share

Profit per Ordinary Share is calculated based on profit for the period of US$7,135,000 (30 June 2010: US$1,143,000) and the weighted average number of Ordinary Shares in issue of 180,000,001 (30 June 2010: 69,041,097). Comprehensive Income per Ordinary Share is calculated based on comprehensive income for the period of US$9,081,000 (30 June 2010: US$1,143,000), and the weighted average number of Ordinary Shares in issue of 180,000,001 (30 June 2010: 69,041,097).

Net asset value per Ordinary Share was calculated by dividing the total assets less total liabilities of the Company by the number of Ordinary Shares then in issue of 180,000,001.

Cash net asset value per Ordinary Share was calculated by dividing "Cash NAV" as defined in note 3 (b)(v) by the number of Ordinary Shares then in issue of 180,000,001 (31 December 2010: 180,000,001). Cash NAV is calculated as US$288,253,000 (31 December 2010: US$291,589,000).

The Net asset value reconciles to the Cash NAV as follows:

	30 June 2011 US$'000	31 December 2010 US$'000
Net asset value per financial statements	298,268	295,827
Payables	198	451
Receivables	(372)	(674)
Unrealised gain on fair value through profit or loss investments	(1,839)	(61)
Net unrealised gain on available for sale investments	(6,311)	(3,757)
Realised gain on fair value through profit or loss investments not settled at period end	(330)	-
Net realised gain on available for sale investments not settled at period end	(7,741)	-
Foreign exchange gain	(207)	(197)
Dividend paid	6,587	-
Cash NAV	288,253	291,589

12. Financial instruments

Market and investment risk

The Company is exposed to market and investment risk with respect to both its financial assets designated at fair value through profit and loss (i.e. cash management assets) and its available for sale financial assets (i.e. its investments in claims). The maximum risk equals the fair value of all financial instruments.

With respect to the Company's cash management assets which comprise all of the Company's financial assets designated at fair value through profit or loss (including fixed income and investment funds, interest bearing securities and corporate bonds), market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as interest rates, credit risk, security and bond prices and foreign exchange rates. Investments in cash management assets are made at the recommendation of Potomac in line with pre-agreed parameters and subject to Board oversight. At 30 June 2011, should the prices of those investments have been 10% higher or lower while all other variables remained constant, the Company's income and net assets would have increased and decreased respectively by US$16,126,000 (31 December 2010: US$23,003,000).

With respect to the Company's investments in claims, market and investment risk is the risk that the fair value of the investments (which tend to be of durations in excess of one year) will fluctuate substantially during the life of the investment and indeed that the investments may ultimately result in widely varying ranges of outcomes from a total loss to a substantial gain. The Company only invests in claims following a due diligence process by the investment adviser and approval by the investment committee of the Board. However, investing in claims is high risk and there can be no assurance of any

particular recovery in any individual investment. Following investment, the Company engages in a semi-annual review of each investment's fair value. At 30 June 2011, should the value of investments in claims have been 10% higher or lower than provided for in the Company's fair value estimation, while all other variables remained constant, the Company's income and net assets would have increased and decreased respectively by US$9,608,000 (31 December 2010: US$6,179,000).

Whilst the potential range of outcomes for the investments in claims is wide; the Company's fair value estimation is its best assessment of the current fair value of each investment. That estimate is inherently subjective being based largely on an assessment of how case specific events have changed the possible outcomes of the case and their relative probabilities and hence the extent to which the fair value has altered. The aggregate of the fair values selected falls within a wide range of reasonably possible estimates. In the directors' opinion there is no useful alternative valuation that would better quantify the market risk inherent in the portfolio and there are no inputs or variables to which the value of the claims investments are correlated.

Liquidity risk
The Company is exposed to liquidity risk. The Company requires funds for settlement of operating liabilities and to meet investment commitments (see note 13). The Company's investments in claims (as described in note 2 above) typically require significant capital contributions with little or no immediate return and no guarantee of return or repayment. In order to manage liquidity risk the Company invests in claims with a range of anticipated durations and invests in cash management assets which can be readily realised to meet those liabilities and commitments including investments in fixed income and investment funds and individual liquid securities included in financial assets designated at fair value through profit or loss that can be redeemed on short notice or can be sold on an active trading market.

Credit risk
The Company is exposed to credit risk in various investment structures (see note 2 above), most of which involve investing sums recoverable only out of successful claim investments with a concomitant risk of loss of investment cost. On becoming contractually entitled to claim proceeds, depending on the structure of the particular investment, the Company could be a creditor of, and subject to credit risk from, the claimant, the defendant or both. Moreover, the Company may be indirectly subject to credit risk to the extent a defendant does not pay a claimant immediately, notwithstanding successful adjudication of a claim in the claimant's favour.

The Company is also exposed to credit risk in respect of the investments at fair value through profit or loss and cash and cash equivalents. The credit risk of the cash and cash equivalents is mitigated as all cash is placed with reputable banks with a sound credit rating (A-1+). The credit risk of the financial assets at fair value through profit or loss is mitigated by investment restrictions as regards security type, geographical origin and acceptable counterparties; those investments are made in investment securities of investment grade quality, such as commercial paper with an A-1 or P-1 rating or corporate bonds with a rating of A or better, or with high quality

investment managers. There are no significant concentrations of credit risk. At the period end the Company is directly invested in 11 securities with 9 different counterparties with the bulk of its cash management assets held in managed funds. Management of the fair value through profit or loss portfolio is outsourced under clear parameters with the directors' oversight and the assets are held with a third party custodian. The maximum credit risk exposure represented by cash, cash equivalents and investments is as stated on the Statement of Financial Position.

Currency risk
The Company holds assets denominated in currencies other than US dollars, the functional currency. It is therefore exposed to currency risk, as values of the assets denominated in other currencies will fluctuate due to changes in exchange rates. The Company may use forward exchange contracts from time to time to mitigate currency risk.

At 30 June 2011 and 31 December 2010, the Group had no material exposure to currency risk.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash and financial instruments at fair value through profit or loss. All cash bears interest at floating rates. The following table sets out the Company's exposure to interest rate risk at 30 June 2011 and 31 December 2010:

	30 June 2011 US$'000	31 December 2010 US$'000
Non-interest bearing	266,488	72,242
Interest bearing - floating rate	12,493	17,484
Interest bearing - fixed rate	19,287	206,101
Total Net Assets	298,268	295,827

The interest bearing floating rate assets are denominated in US Dollars. If the US Dollar interest rates increased/decreased by 25 basis points while all other variables remained constant, the profit for the period and net assets would increase/decrease by US$31,000 (2010: US$43,000). For fixed rate assets it is estimated that profit and net assets for the period would decrease by US$975,000 (2010: US$485,000) and increase by US$991,000 (2010: US$515,000) respectively.

The maturity profile of interest bearing assets at 30 June 2011 is:

Maturity period	Floating US$'000	Fixed US$'000	Total US$'000
Less than 3 months	5,489	-	5,489
3 to 6 months	-	-	-
6 to 12 months	7,004	-	7,004
Greater than 12 months	-	19,287	19,287
	12,493	19,287	31,780

The maturity profile of interest bearing assets at 31 December 2010 is:

Maturity period	Floating US$'000	Fixed US$'000	Total US$'000
Less than 3 months	8,997	167,610	176,607
3 to 6 months	1,499	1,738	3,237
6 to 12 months	-	-	-
Greater than 12 months	6,988	36,753	43,741
	17,484	206,101	223,585

The Company is also indirectly exposed to interest rate risk through its investments in fixed income and investment funds which invest in interest bearing securities.

Management of capital
The Company is closed ended and therefore there is no requirement to return capital to shareholders until the closure of the Company. The Company's objective is to provide Shareholders with attractive levels of dividends and capital growth. It is the intention to pay cash dividends from net realised gains. The Company invests in a portfolio of claims diversified by duration, amongst other factors, in the expectation of generating realised gains in the short-term to fund such dividends and to meet the expenses of the Company. The Company may seek additional capital in order to grow and diversify the claims investment portfolio. £110 million (US$172 million) of additional capital was raised in December 2010. The Company also has authority to make market purchases of up to 15% of its own issued Ordinary Shares as disclosed in note 10.

Fair values
The financial assets and liabilities including investments are stated at fair value (see note 2 above).

13. Financial commitments and contingent liabilities

As a normal part of its business, the Company routinely enters into

some investment agreements that oblige the Company to make continuing investments in claims over time, whereas other agreements provide for the immediate funding of the total investment commitment. The terms of the former type of investment agreements vary widely. In some cases, the Company has broad discretion as to each incremental funding of a continuing investment, and in others, the Company has little discretion and would suffer punitive consequences were it to fail to provide incremental funding. Moreover, in some agreements, the Company's funding obligations are capped at a fixed amount, whereas in others the commitment is not fixed (although the Company estimates its likely future commitment to each such investment). At 30 June 2011, considering the amount of capped commitments and the Company's estimate of uncapped funding obligations, the Group had outstanding commitments for approximately US$56.3 million (31 December 2010: US$33 million); that figure does not include executed investment agreements that are capable of cancellation without penalty by the Group for adverse findings during a post-agreement diligence period. Of the outstanding commitments, the Company expects less than 50% to be sought from it during the next twelve months.

14. Related party transactions

Investment advisory fees for the period payable to Burford Group Limited amounted to US$2,924,000 (30 June 2010: US$1,679,000). The amount of investment advisory fees outstanding at 30 June 2011 was US$106,000 (31 December 2010: US$279,000).

Directors' fees paid in the period amounted to US$161,000 (30 June 2010 US$191,000). The amount of directors' fees outstanding at 30 June 2011 was US$Nil (31 December 2010: US$Nil).

Administration fees payable to International Administration (Guernsey) Limited ("IAG") are disclosed in note 4. There are no administration fees outstanding at 30 June 2011 (31 December 2010: US$Nil).

There is no controlling party.

15. Subsequent events

Except for identified matters in the Highlights to the Interim Report, there have been no significant subsequent events.

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