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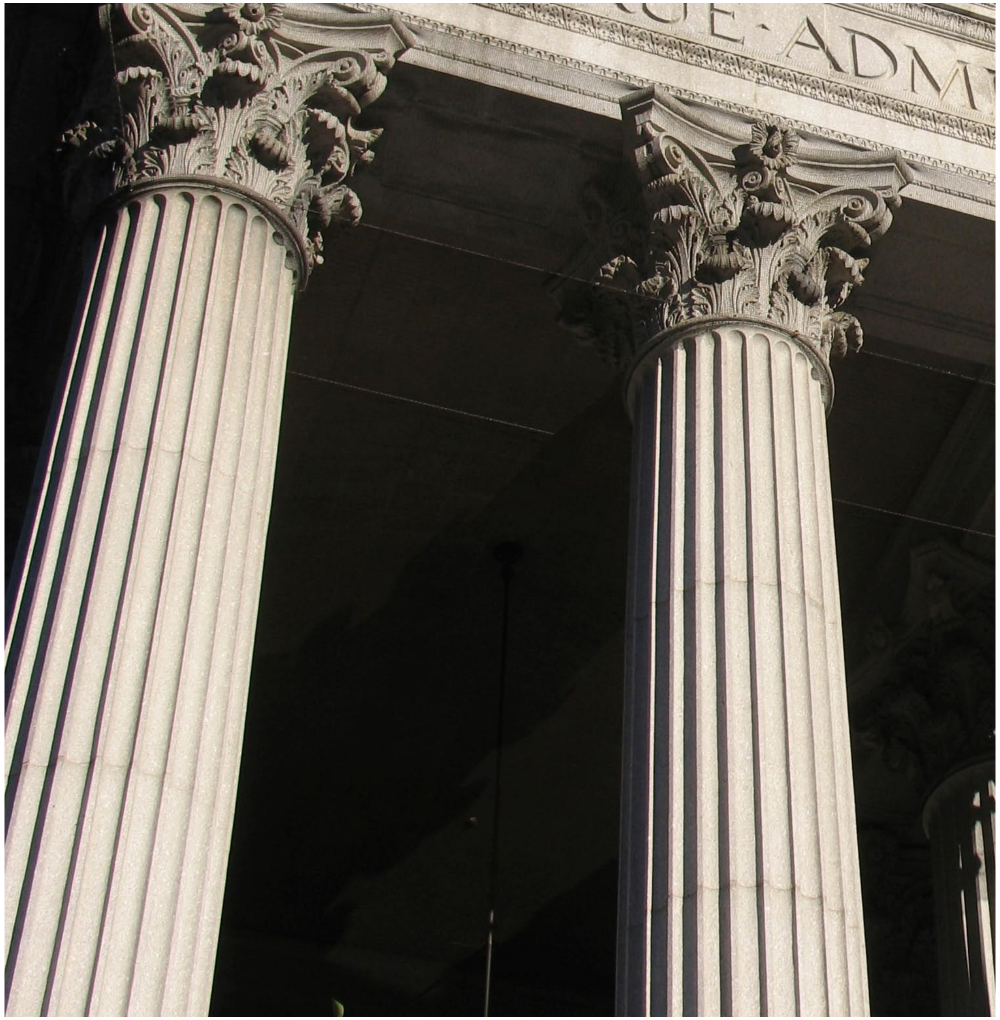
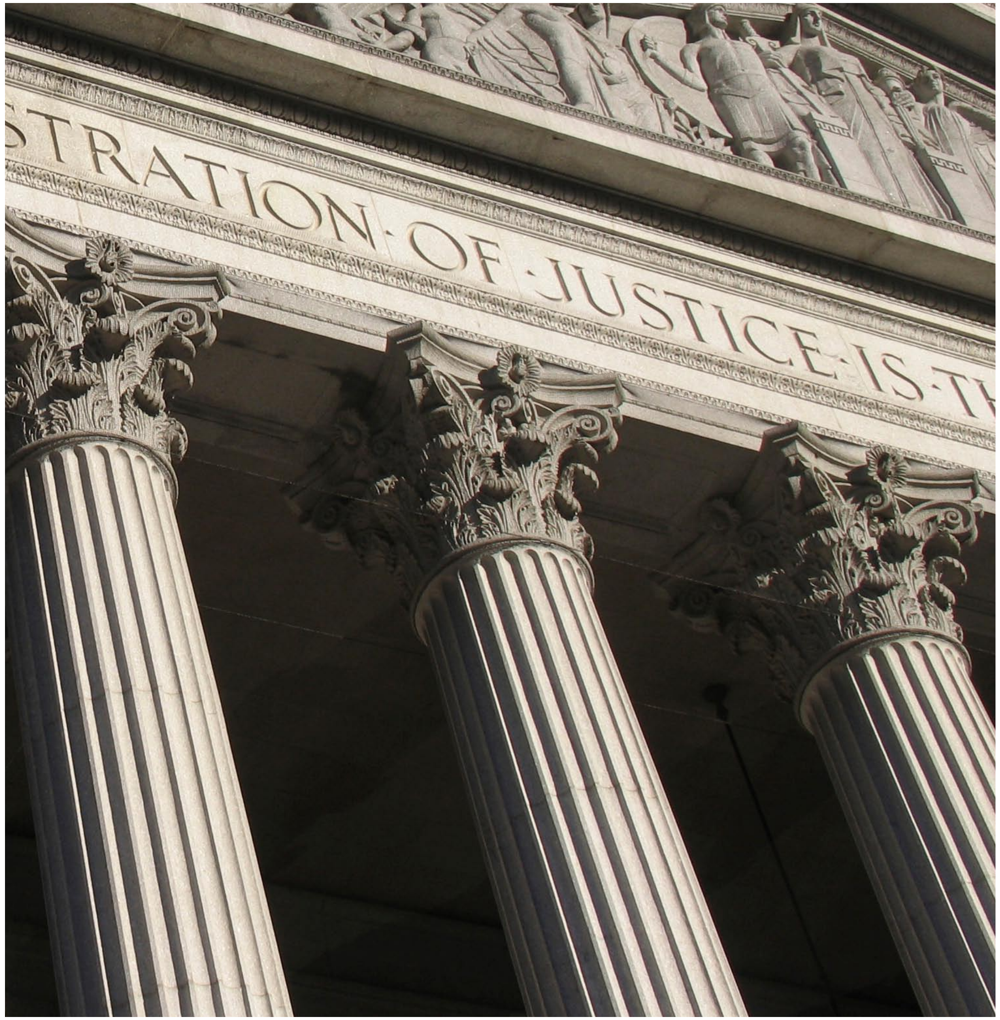


Burford Capital

INTERIM REPORT 2010



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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 AIM Market under the ticker symbol BUR.

HIGHLIGHTS OF THE INTERIM REPORT

- Approximately half the capital raised in the IPO has been committed to date across 14 investments of widely varying sizes and durations
- The short duration portfolio has already produced US$6 million in realisations
- The Company is already profitable (net profit of US$1.1 million)
- One of the Company's investments has produced a jury verdict of US$110 million which, if upheld and collected, would entitle the Company to approximately US$44 million, although that full amount is not expected to be collected (see the notes to the interim financial statements for further details about the risks to realisations)
- The Investment Adviser has built a formidable team of experienced professionals
- Strong pipeline of investment opportunities

> "We are delighted to announce our first set of interim results following our IPO in October 2009. To have successfully floated at a time of substantial market uncertainty was a considerable achievement and we continue to be greeted with enthusiasm from investors in our entry into this young but growing asset class."

Sir Peter Middleton GCB, Chairman

I am delighted to present the first interim results for Burford Capital Limited following its successful initial public offering in October 2009. These results cover the period from inception through 30 June 2010.

We were gratified by the enthusiasm of investors for our IPO amid a period of considerable market turmoil and are very pleased to have such a distinguished collection of names on our share register. It is a nice achievement to have posted a net profit even in our first months of operation. We have also been happy with our share price, which has consistently traded at a premium to net asset value.

Since the IPO, we have moved swiftly to capitalise on the demand for funding of commercial disputes. We have committed about half of our capital thus far and have already achieved some early realisations. We have seen keen interest in our entry into this nascent asset class and a robust flow of investment opportunities.

The Investment Adviser has built out a strong team, the details of which are included in its report. With that team and the election to build a world-class underwriting function internally, we can confidently say that we have created a market leader. Having both early realisations and a large jury verdict affirms our business model and capability.

The directors have been very active in this early phase of Burford Capital's existence, with substantial focus on Burford Capital's investment policy and decisions. Not including several meetings prior to the IPO, we have held four in-person, day long Board meetings since the IPO and numerous additional Board and investment committee meetings to address specific investments.

Looking forward, we believe strongly in our portfolio approach to commercial dispute investing. That approach has already borne fruit with early realisations, and we expect it to continue to do so.

The other directors and I are excited about Burford Capital's promise and look forward to continuing to work together to realise it and to build a leading investment firm in this growing sector.

Sir Peter Middleton GCB
Chairman
17 August 2010

> "Burford Capital's progress since IPO has been substantial. Burford Capital has committed about half of its capital and has already achieved some early realisations from investments. We continue to see a strong pipeline of investment opportunities and are excited about what the future holds for both Burford Capital and the asset class."

Christopher Bogart, Chief Executive Officer

At Burford Group, we echo Sir Peter's comments about how grateful we are to investors for seeing and supporting this novel opportunity. Burford Capital's launch last fall was a watershed moment in the nascent commercial dispute investment business, and we have spent the last nine months capitalising on it. We're delighted that our results to date have validated the business model and our unique and market-leading approach to investing in this asset class.

The highlights are:

- About half the capital raised in the IPO has been committed to date across 14 investments of widely varying sizes and durations
- The short duration portfolio has already produced US$6 million in realisations
- One investment has produced a jury verdict which, if fully collected, would entitle Burford Capital to US$44 million in additional realisations (see the notes to the interim financial statements for further details about the risks to realisations)
- The business is already profitable
- The Investment Adviser has built a formidable team of experienced professionals
- We are seeing keen interest in our investment proposition and a strong flow of interesting investment opportunities, most of which come to us on a proprietary and non-competitive basis

INVESTMENT PORTFOLIO COMMENTARY

We have consistently said that the best way to produce dividend income and superior capital appreciation in this asset class is to invest in a portfolio of dispute investments diversified by duration, size and other features. We have recommended investments to Burford Capital consistent with that view of investment management, and we are halfway through the process of creating such a portfolio, with capital commitments of around US$64 million to date.

Burford Capital has invested thus far in 14 different commercial matters:

- Burford Capital has committed US$11 million to date across four short duration matters (i.e., matters expected to produce a return within 12 months). The short duration portfolio has already produced US$6 million in realisations and the jury verdict noted above.

- Burford Capital has committed US$49 million to date in nine core matters. Core matters are investments that are expected to produce returns in a time period consistent with the multi-year duration of an average dispute, shortened somewhat by the prospect of settlement.

- Burford Capital has committed US$4 million to one special situations matter. Special situations matters are those that, although the risk profile may be higher than the rest of the portfolio, also provide the potential for particularly appealing returns.

Burford Capital's investments have been consistent with the guidance provided at the time of its IPO in terms of a concentration on US litigation and international arbitration, and the economic terms and structures of its investments are similarly consistent with guidance – although investment terms and structures do vary widely. It is not uncommon for Burford Capital to receive a preferred return on its investment accompanied by a share of the ultimate outcome of a commercial dispute.

Investors should note that Burford Capital has historically provided information about its investment progress more frequently than its required accounting disclosures, with its most recent investment update issued on 28 July 2010. The foregoing investment commentary is similarly current through 28 July 2010, while the discussion of financial accounting data below is through 30 June 2010.

FINANCIAL RESULTS

In the period from its October 2009 IPO to 30 June 2010, Burford Capital showed a net profit in excess of US$1.1 million. That profit does not include any unrealised gain on claim investments; it is all based on cash realisations. We are very pleased that Burford Capital is profitable out of the gate and to be managing costs and producing income to achieve that result. Moreover, the cash profit exceeded even that reported level because of the inclusion of non-cash losses, as discussed below.

Burford Capital's financial statements are presented in US dollars, which is the currency in which the majority of its income and expenses occurs. Shortly after the IPO, Burford Capital converted the bulk of its funds into US dollars and retained only small Sterling balances for expenses and an anticipatory dividend. Those Sterling balances are marked to market at the end of each financial period and generate non-cash gains or losses; in the period ending 30 June 2010, the non-cash loss was approximately US$522,000. Thus, without that non-cash charge, net income would have exceeded US$1.6 million.

Given that this is the first publication of Burford Capital's financial statements and given that IFRS accounting for this asset class remains to some extent a matter of first impression, a few words about the construction of Burford Capital's financial statements are in order.

Burford Capital has a substantial amount of cash available to it from the IPO proceeds. As Burford Capital makes investment commitments, its cash available for investment declines, but because some investments are funded over time (while others are funded in full at closing), there will continue to be a gap between committed cash and invested cash, even when the IPO proceeds are fully committed. Burford Capital has appointed a cash manager to manage its cash balances under the oversight of the Investment Adviser and the directors. The cash management investment assets purchased by the cash manager, such as government bonds or commercial paper, are classified as "financial assets designated at fair value through profit or loss" in the accounts, are marked to market at the end of each period, and the realised and unrealised gain thereon is taken into current income as "net gains on investments at fair value through profit or loss". The cash manager is instructed to act in accordance with the Admission Document's policy on cash management, requiring principal-protective strategies. During the period ended 30 June 2010, the cash manager generated US$681,000 in investment income.

When Burford Capital makes an investment in a commercial dispute, the cash actually paid out in connection with the investment is recorded on the balance sheet as an "available-for-sale financial asset". To the extent that Burford Capital's investment commitment exceeds the amount of cash actually disbursed, only the latter amount is generally shown on the balance sheet, and the difference between the former and latter amounts is shown as a commitment in the notes to the financial statements.

Upon initial investment, the balance sheet shows "available-for-sale financial assets" at the amount of cash disbursed (including diligence and closing costs). Then, at the end of each financial period, the fair value (i.e., the amount we believe a third party would pay to assume the investment position) of the claims investment portfolio is determined by the Investment Adviser and the directors; the principal basis for a change in fair value is the occurrence of an identifiable event in the process of pursuing the claim, such as a successful adjudication result, and we do not recommend changes in fair value for minor developments in a matter or changes in sentiment. Unrealised increases in fair value are then taken into income as "other comprehensive income". Realised gains are taken into income as "net gains on realisation of available-for-sale investments". More detail about the computations is provided in the notes to the financial statements.

Although this current iteration of the approach to accounting for commercial dispute claims under IFRS is somewhat more appropriate than the earlier accounting approach described in the Admission Document, we still believe strongly that litigation and arbitration returns are inherently speculative and are most appropriately accounted for by holding investments at cost until a cash realisation has occurred, as opposed to taking unrealised gains into income before a litigation resolution has occurred. Moreover, the appropriate metric, in our view, for Burford Capital's share price measurement is its relationship to net asset value based solely on actual cash realisations. Thus, for the guidance of investors, we will publish a cash Net Asset Value ("NAV") figure alongside the requisite IFRS-based NAV, and we encourage investors to consider the cash NAV as the appropriate valuation metric.

BUILDING THE INVESTMENT ADVISER

We made the early decision that the potential future opportunity in this asset class warranted devoting the resources to building a world-class management team rather than simply outsourcing most investment functions to law firms, as is the norm in this industry.

As a result, we have a strong team at the Investment Adviser coupled with exclusive relationships with numerous high-quality third parties to accelerate our penetration and capital deployment. The biographies of the Investment Adviser's team are on our website, at www.burfordgroupltd.com.

INDUSTRY COMMENTARY

The provision of dedicated investment capital to commercial disputes is a relatively new concept in the United States, and only marginally less new in the UK and in international arbitration. Moreover, Burford's entry into the market is the first time a collection of AmLaw 20 and Fortune 50 professionals have banded together to provide an offering directed at large law firms and corporations.

That entry has been greeted with meaningful press and other attention. Burford was the cover story in the annual American Lawyer litigation magazine. The RAND Institute, one of America's premier research organisations, has been studying the phenomenon of third-party litigation funding and has paid considerable attention to Burford's entry. There has been a substantial amount of other mainstream and trade media coverage of Burford and its offering.

All that attention has moved the business quite rapidly into a mainstream addition to lawyers' and clients' approaches for funding the pursuit of disputes when clients are either unable or unwilling to fund them on a conventional basis, as is increasingly the case. As a result, we have seen a robust pipeline of opportunities, both domestically and internationally, and have been spoilt for choice in the matters we have selected to recommend to Burford Capital for investment.

It has been an extremely busy and productive nine months since Burford Capital's IPO, and we are excited about what the future holds for both Burford and the asset class.

Selvyn Seidel
Chairman

Christopher Bogart
Chief Executive Officer

Jonathan Molot
Chief Investment Officer

17 August 2010

INTRODUCTION

We have been engaged by Burford Capital Limited to review the condensed set of financial statements in the interim financial report for the period ended 30 June 2010 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 15. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

DIRECTORS' RESPONSIBILITIES

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting".

As disclosed in note 1, the annual financial statements of the Company will be prepared in accordance with IFRS. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Ernst & Young LLP
Guernsey, Channel Islands
17 August 2010

Notes:
1. The maintenance and integrity of the Burford Capital Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in Guernsey governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2010

	Notes	11 September 2009 to 30 June 2010 US$'000
INCOME		
Net interest income		54
Net gains on investments at fair value through profit or loss	5	681
Net gains on realisation of available-for-sale investments	6	3,971
TOTAL INCOME		4,706
Net foreign exchange losses		522
Operating expenses	4	3,041
PROFIT FOR THE PERIOD		1,143
OTHER COMPREHENSIVE INCOME		
Fair value change in available-for-sale financial assets		–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,143

		Cents
BASIC AND DILUTED PROFIT PER ORDINARY SHARE	11	1.66

The notes on pages 12 to 24 form an integral part of these unaudited interim consolidated condensed financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	Notes	30 June 2010 US$'000
ASSETS		
NON-CURRENT ASSETS		
Available-for-sale financial assets	6	24,404
		24,404
CURRENT ASSETS		
Financial assets designated at fair value through profit or loss	5	86,532
Cash and cash equivalents	7	13,491
Receivables and prepayments	8	1,309
		101,332
TOTAL ASSETS		125,736
LIABILITIES		
CURRENT LIABILITIES		
Payables	9	742
Total liabilities		742
Total net assets		124,994
REPRESENTED BY:		
Share capital	10	123,851
Revenue reserve		1,143
Other reserve		–
TOTAL EQUITY SHAREHOLDERS' FUNDS		124,994

		Cents
NET ASSET VALUE PER SHARE		
Net asset value per ordinary share (computed pursuant to IFRS)	11	156.24
"Cash" net asset value per ordinary share	11	156.60

The notes on pages 12 to 24 form an integral part of these unaudited interim consolidated condensed financial statements.

The unaudited condensed financial statements on pages 8 to 24 were approved by the Board of Directors on 17 August 2010 and were signed on its behalf by:

David Lowe
Director

17 August 2010

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 June 2010

	11 September 2009 to 30 June 2010 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit for the period	1,143
ADJUSTED FOR:	
Fair value change on financial assets	341
Realised gains on disposal of assets designated at fair value through profit or loss	(51)
Realised gains on disposal of available-for-sale investments	(3,971)
Gain on forward foreign exchange contract	(253)
Effect of exchange rate changes on cash and cash equivalents	677
	(2,114)
CHANGES IN WORKING CAPITAL	
Increase in receivables	(1,056)
Increase in payables	156
Purchase of interest bearing debt securities	(405,377)
Sale of interest bearing debt securities	318,555
Purchase of investments in claims	(25,847)
Proceeds from investments in claims	6,000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(109,683)
CASH FLOWS FROM FINANCING ACTIVITIES	
Issue of shares	130,736
Issue expenses	(6,885)
NET CASH FLOW FROM FINANCING ACTIVITIES	123,851
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,168
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents at beginning of period	–
Increase in cash and cash equivalents	14,168
Effect of exchange rate changes on cash and cash equivalents	(677)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13,491

The notes on pages 12 to 24 form an integral part of these unaudited interim consolidated condensed financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 11 September 2009 to 30 June 2010

	Share capital US$'000	Share premium US$'000	Revenue reserve US$'000	Available-for-sale reserve US$'000	Total US$'000
Issue of shares	–	130,736	–	–	130,736
Issue expenses	–	(6,885)	–	–	(6,885)
Profit for the period	–	–	1,143	–	1,143
Other comprehensive income	–	–	–	–	–
BALANCE AS AT 30 JUNE 2010	–	123,851	1,143	–	124,994

The notes on pages 12 to 24 form an integral part of these unaudited interim consolidated condensed financial statements.

1 | LEGAL FORM AND PRINCIPAL ACTIVITY

Burford Capital Limited (the "Company") and its subsidiaries (the "Subsidiaries") (together the "Group") invest in commercial disputes, with an initial focus on litigation in the United States as well as international arbitration matters (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.

The Company has no employees.

2 | PRINCIPAL ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

The unaudited interim consolidated condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB). IFRS requires 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. The most significant estimates relate to the valuation of the available-for-sale financial assets. Actual results may differ from these estimates.

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 and in accordance with IAS 34: Interim Financial Reporting. The unaudited interim consolidated condensed financial statements do not include all the information and disclosures required in the annual financial statements.

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

		Effective date
IAS 32	Classification of Rights Issues	1 February 2010
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
IAS 24	Related Party Disclosures	1 January 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liability with Equity Instruments	1 July 2010
IFRS 1	Limited Exemption from Complying with IFRS 7 disclosure	1 July 2010

2 | PRINCIPAL ACCOUNTING POLICIES continued

IFRS 9 will remove the available-for-sale classification. When IFRS 9 applies, it is anticipated that the Group's litigation investments will fall within the fair value through profit or loss category, and consequently transaction costs will be expensed rather than included in the cost of the investment. It is not anticipated the adoption of any of the other standards and interpretations will have a significant impact 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 its Subsidiaries. All the Subsidiaries are consolidated in full from the date of acquisition.

All inter-company 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

The Board has considered the provisions of IFRS 8 in relation to segmental reporting and concluded that the Group has only one business segment: investments in claims. The investments of the Group are not defined by geographic area and thus a single worldwide geographical segment is provided.

FINANCIAL INSTRUMENTS

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

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, are designated at fair value through the 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 are reflected in Income in the Consolidated Statement of Comprehensive Income.

2 | PRINCIPAL ACCOUNTING POLICIES continued

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, investments in claims are measured at fair value as determined by the Investment Adviser and reviewed by the Board.

Fair values are determined on case specifics and will typically change upon a claim progressing through a key stage in the litigation process in a manner that, in the Investment Adviser's and Board's 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.

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 consider fair value of an investment.

Movements in fair value related to each legal claim are taken to the available-for-sale reserve in equity and other 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).

2 | PRINCIPAL ACCOUNTING POLICIES continued

DUE DILIGENCE COSTS
Due diligence costs and closing costs attributable to investments 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 unaudited 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 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
Listed interest-bearing debt securities are valued at their quoted price. Movements in fair value are included within net gains on investments 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 price. Movements in fair value are included within net gains on investments 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.

2 | PRINCIPAL ACCOUNTING POLICIES continued

TAXATION

The Company has obtained exempt company status in Guernsey. The Company is, therefore, only liable to an annual 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 premium.

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 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%. The adjusted net asset value of the Company means the 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.

3 | MATERIAL AGREEMENTS continued

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 a cumulative non-compounded 8% return from Admission (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 their acquisition by the Investment Adviser and persons acting in concert with it (for the purpose of the City Code on Takeovers and Mergers) 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.

3 | MATERIAL AGREEMENTS continued

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

a) the Net 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 five Calculation Dates one-sixth of the costs borne by the Company in relation to its establishment, the Placing and Admission.

C) ADMINISTRATION FEE

Under the terms of an administration agreement dated 15 October 2009 between the Company and International Administration (Guernsey) Limited (the "Administrator"), the Administrator is entitled to receive an annual fee of £100,000 plus further fees for the administration of subsidiaries, payable quarterly in advance.

4 | TOTAL OPERATING EXPENSES

	30 June 2010 US$'000
Administration fees	111
Audit fees	67
Cash management fees	159
Custodian fees	29
Directors' remuneration and Board meeting expenses	353
General expenses	239
Insurance	118
Investment advisory fee	1,679
Investment due diligence expenses	25
Legal and other professional expenses	261
	3,041

5 | FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2010 US$'000
Listed interest-bearing debt securities – fixed	58,804
Listed interest-bearing debt securities – floating	12,403
Listed corporate bond fund	15,325
	86,532

	30 June 2010 US$'000
Net changes in financial assets designated at fair value through profit or loss:	
Realised	377
Unrealised	304
TOTAL GAINS/(LOSSES)	681

Fair value measurements are based on level 1 inputs of the three level hierarchy system which indicates inputs based on quoted prices in active markets for identical assets.

6 | 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.

	Additions US$'000	Realisations US$'000	Net realised gain for period US$'000	Fair value movement US$'000	Balance at fair value as at 30 June 2010 US$'000
Short duration investments	11,574	(6,000)	3,971	–	9,545
Core investments	10,991	–	–	–	10,991
Special situations investments	3,868	–	–	–	3,868
TOTAL INVESTMENT IN CLAIMS	26,433	(6,000)	3,971	–	24,404

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).

7 | CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash balances of US$398,000 pledged in favour of Citigroup Global Markets Inc in connection with the Group's future account agreement with them.

8 | RECEIVABLES AND PREPAYMENTS

	30 June 2010 US$'000
Prepayments accrued	39
Accrued bond interest	1,017
Unrealised gain on forward foreign exchange contract	253
	1,309

9 | PAYABLES

	30 June 2010 US$'000
Audit fee payable	67
General expenses payable	89
Litigation costs payable	586
	742

10 | SHARE CAPITAL

	30 June 2010 US$'000
AUTHORISED SHARE CAPITAL	
Unlimited ordinary shares of no par value	–

ISSUED SHARE CAPITAL

	Number
ORDINARY SHARES OF NO PAR VALUE	
Issued during the period	80,000,001

	30 June 2010 US$'000
At 11 September 2009	–
Proceeds arising on issue of ordinary shares on 11 September 2009	–
Proceeds arising on issue of ordinary shares on 21 October 2009	130,736
Allocation of issue costs	(6,885)
Balance at period end	123,851

The Company has authority to make market purchases of up to 15% of its own issued ordinary shares, expiring on 11 March 2011. The Company stated in the Admission Document that it would exercise the authority if and when the ordinary shares have traded on AIM for a period of 20 consecutive days or more at a price below 90% of the last published Cash NAV.

11 | PROFIT PER ORDINARY SHARE AND NET ASSET VALUE PER ORDINARY SHARE

Profit per ordinary share is calculated based on the profit for the period of US$1,143,000, and the weighted average number of ordinary shares in issue from incorporation of 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 80,000,001

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 80,000,001. Cash NAV is calculated as US$125,283,993.

12 | FINANCIAL INSTRUMENTS

MARKET RISK

The Company is exposed to market risk on its investments in claims (see note 2 above) and investments in interest-bearing securities and corporate bonds. At 30 June 2010, should the prices of the investments in interest-bearing securities and corporate bonds 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$8,653,000. At 30 June 2010, should the value of investments in claims 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$2,440,000.

LIQUIDITY RISK

The Company is exposed to liquidity risk. 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 and other liquid investments.

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. The credit risk of the financial assets at fair value through profit or loss is mitigated by the investment restrictions as regards security type, geographical origin and acceptable counterparties. 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. Dividends will be paid in Sterling.

12 | FINANCIAL INSTRUMENTS continued

At 30 June 2010, the Group's net exposure to currency risk can be analysed as follows:

	Investments US$'000	Net current assets/ (liabilities) US$'000	Forward foreign exchange contract US$'000	Total US$'000
US Dollar	110,936	5,035	(7,527)	108,444
Sterling	–	8,770	7,780	16,550
	110,936	13,805	253	124,994

At 30 June 2010 should Sterling have strengthened or weakened by 10% against the US Dollar and all other variables held constant, the Company's net profit and net assets would have decreased and increased respectively by US$1,655,000.

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 2010:

	30 June 2010 US$'000
Non-interest bearing	40,297
Interest bearing – floating rate	25,894
Interest bearing – fixed rate	58,803
Total net assets	124,994

The interest bearing floating rate assets are denominated in US Dollars. If the US Dollar interest rates increased/decreased by 50 basis points while all other variables remained constant, the net income and net assets would increase/decrease by US$129,000.

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.

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 2010, considering the amount of capped commitments and the Company's estimate of uncapped funding obligations, the Group had outstanding commitments for approximately US$18 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.

14 | RELATED PARTY TRANSACTIONS

Investment advisory fees for the period payable to Burford Group Limited amounted to US$1,679,000. The amount of Investment advisory fees outstanding at 30 June 2010 was US$Nil.

Directors' fees paid in the period amounted to US$191,000. The amount of directors' fees outstanding as at 30 June 2010 was US$Nil.

There is no controlling party.

15 | SUBSEQUENT EVENTS

On 28 July 2010 the Company announced that a jury verdict had been delivered in an investment that, if ultimately upheld and fully collected, would entitle the Company to proceeds of approximately US$44 million. Uncollected entitlements may include (i) verdicts, judgements or awards subject to appeal and other risks of the legal process; (ii) settlements or judgements entered into but not yet effective or paid and subject to substantial collection risk; and/or (iii) entitlements that Burford may elect to reduce to facilitate prompt payment or settlement. Thus, not only is there no assurance that the full amount of uncollected entitlements will actually be collected, but it is likely not to be. This information is provided to give a sense of the progress of the portfolio, not as a forecast of likely collections. Actual collections may be materially lower than the disclosed amount.

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