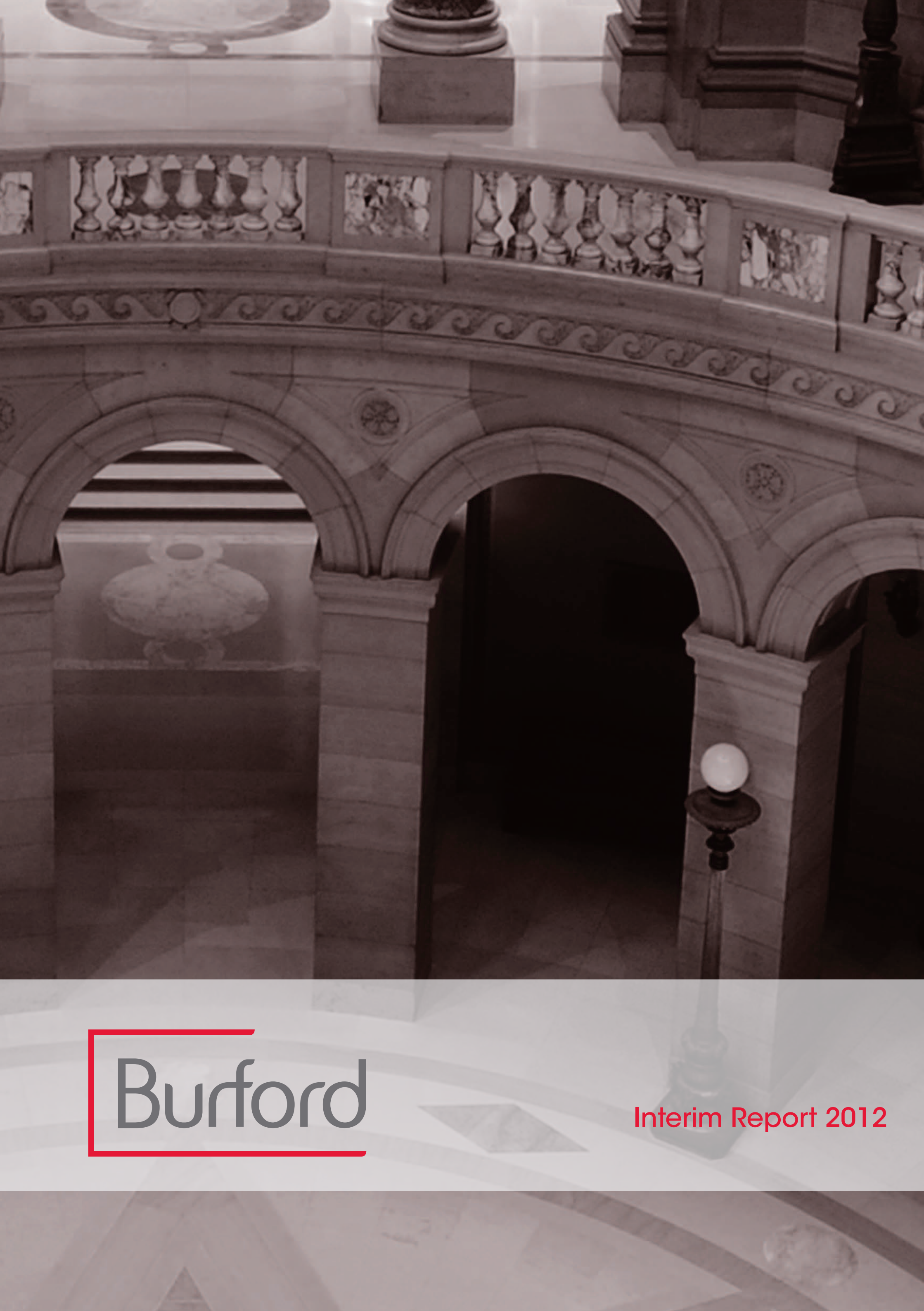


Burford

Interim Report 2012

About Burford Capital

Burford is the world's largest provider of investment capital and risk solutions for litigation.

Burford Capital is a closed-end $300 million investment fund publicly traded on the London Stock Exchange's AIM Market under the ticker symbol BUR. Burford provides a broad range of corporate finance solutions to lawyers and clients engaged in significant litigation and arbitration around the world. Burford Group Limited serves as the Investment Adviser to Burford Capital and has an expert team drawn from major law firms and corporations.

Businesss Highlights

- Continued strong portfolio performance and robust market for litigation finance.
- Five core investments resolved in the period, bringing the total to 14 investments which have now concluded entirely or completed trial. The aggregate net expected return on those investments when fully paid is 70%.
- Following good performance of the short duration portfolio, we are now in a waiting period while the core portfolio matures, although we are seeing early results.
- Completion of Firstassist acquisition on 29 February 2012 and successful launch of UK litigation finance business.
- Firstassist already demonstrating success; it was acquired for $11.5 million net of cash at closing and in the four months since completion Firstassist has already contributed $4.8 million in EBITDA and $3.7 million in profit before the effects of acquisition accounting.

Financial Highlights

- Total income increased by 18% to $13.6 million (June 2011: $11.5 million).
- Profit after tax and excluding one-time acquisition expenses ($2.0 million) was $7.0 million (June 2011: $7.1 million).
- Burford made new commitments of $44.6 million to investments in the period; total commitments since inception now amount to approximately $332 million.
- Burford has now generated $46 million in lifetime income and has paid $13.2 million in dividends to shareholders.

Lifetime income

$46m

Burford has generated $46 million in lifetime income.

Returned to shareholders

$13.2m

Burford has paid $13.2 million in total dividends since inception.

Commitments

$332m

Burford has committed $332 million in investments since inception and currently has $276 million in commitments outstanding.

Case returns

70%

14 investments have now concluded entirely or completed trial and the aggregate net expected return on those investments is 70%.

"Burford has had a busy and successful six months. We have not only continued active deployment of capital into new investments but have continued to expand the investment structures we offer in the market, and have launched a domestic funding business in the UK. We have been gratified by investor support, with more than 93% of shareholders voting at our most recent AGM and unanimously approving all matters presented."

Sir Peter Middleton, Chairman of Burford Capital

Burford has had a busy and successful six months, as we increasingly build a business with multiple product offerings serving businesses on both sides of the Atlantic and beyond.

Burford is not yet three years old, but its presence in the market has clearly served as a catalyst in causing lawyers, businesses and their advisers to consider how the availability of capital can expand their financial options. The last six months have seen an ever increasing flow of inquiries for new and innovative structures and uses of capital.

As we continue to look to the future, however, we remain focused on the present. We are pleased with the size and quality of the current investment portfolio. The core portfolio remains immature given how long litigation matters take to resolve, but the early core performance is encouraging, coming on top of the very strong short duration performance we reported previously.

Naturally, we are not standing still. In the last six months, we have not only continued active deployment of capital into new investments but have continued to expand the investment structures we offer in the market, and we have launched a domestic funding business in the UK.

We have been gratified by investor support, with more than 93% of shareholders voting at our most recent AGM and unanimously approving all matters presented. We are disappointed to see the decline in our share price, but note that the movement was driven by very little trading activity – indeed, fewer than 0.6% of our shares traded in the last quarter.

We look forward to further developments in the core portfolio, and in the business generally, in the six months to come.

Sir Peter Middleton GCB
Chairman
July 2012

"Burford has benefited from the fact that awareness of litigation finance has never been greater, as is the demand for the solutions it can provide. Our pipeline of potential investment opportunities is at a record high, and we continue to innovate for new uses of capital and investment structures. Indications of performance are encouraging, although the core portfolio will naturally take some time to mature."

Christopher Bogart, Chief Executive Officer of Burford Group

In our report accompanying Burford's full year 2011 results, which was released less than four months ago, we commented extensively on the business and the investment portfolio. We won't replough that ground here, but will rather discuss recent developments in the business during the last four months.

Put simply, the business is booming. Public awareness of and interest in litigation finance has never been greater. For example, the New York Times ran a major article, profiling Burford, in May. Our pipeline of potential investment opportunities ended June at its highest level ever. We are increasingly receiving and pursuing inquiries for new uses of capital and new structures in the space.

Investment portfolio

We hope our enthusiasm for the business and for the portfolio comes through in our reporting and in our meetings with investors, because we're big fans of the portfolio we have developed. To be sure, not every investment will do as well as we hope. But we're betting our own time and money on the portfolio doing very nicely indeed.

We do, however, want to continue our candour with investors. There's a truism about litigation – everything takes longer and costs more than anyone expects. By telling investors honestly how long things will take and by using deal structures that manage the cost risk we have endeavoured to take the sting out of that truism – but we can't speed up the litigation process, much as we would like to. As a result, because we committed more than half Burford's capital invested to date only last year, the bulk of our investments remain unresolved. That is not surprising given that most of our core investments have not yet been outstanding for anything close to the average duration of litigation matters, but it does mean that we are presently in the predicted interregnum between the maturity of the short duration portfolio and the time at which the bulk of the core portfolio will be actively beginning to resolve[1]. This is the period where anyone – inside or outside the business – is likely to have the greatest impatience for activity, but the reality of litigation is that it is inexorable but not rapid, and it is precisely its slower, less predictable nature that provides us with the market opportunity we have. Were litigation fast and predictable, this would be a very different and less profitable business.

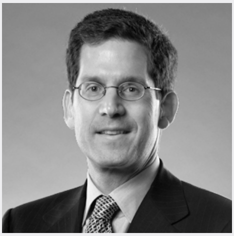
We continue to be very pleased with our results thus far:

- We have had 14 investments now conclude entirely or complete trial – five of which have occurred in the last six months.
- We invested approximately $48 million across those 14 matters.
- We expect our total returns when fully paid from those matters to be at least $82 million, or a 70% return on invested capital, with a current average duration of 1.3 years.

We had already reported on several portfolio developments since 31 December 2011 in our annual report. Since the Annual Report:

- A case we reported as having won at the liability phase of its trial in the Annual Report has now settled. This was a relatively small investment of $1.3 million, which produced a recovery of $2.5 million in little more than a year.
- We have had an additional core matter settle. A case we funded in April and August 2011 has agreed a binding settlement that will provide a recovery of $6.5 million on an investment of $4 million, although we will have some legal fees to book against that recovery.

1 It is also the case, as we have said before, that early core returns are likely to be smaller than later ones. That is expected: cases that settle early settle for less than cases that settle on the eve of trial.



"As 2012 continues, our focus will remain on continuing the cycle of harvesting the investment portfolio and deploying capital into promising new investments. At the same time, we will continue our active marketing and communication activities and continue to explore new structures and opportunities to deploy capital and manage litigation risk."

Jonathan Molot, Chief Investment Officer of Burford Group

We are also continuing to deploy capital. We committed to six new investments in the first half of 2012, for a total of $40.5 million in commitments, along with making $4.2 million in new commitments to existing cases. Those investments varied widely in size (from $2.8 to $15.5 million), type, structure and other diversification metrics.

Commitments since inception

	Commitment amount $ million	Number of investments
Short duration portfolio	63	13
Core portfolio	191	25
Special situations portfolio	27	3
Other investments	51	2
Total	332	43

Current commitments

	Commitment amount $ million	Number of investments
Short duration portfolio	41	8
Core portfolio	172	21
Special situations portfolio	12	3
Other investments	51	2
Total	276	34

As previously advised, we are now aligning our financial and portfolio reporting, so we will not report on developments subsequent to 30 June 2012 in this report. We will next update the portfolio's status and performance in an IMS issued in the autumn, and of course again when we release our full year 2012 results.

Firstassist and accounting

The acquisition of Firstassist by Burford Capital was completed on 29 February 2012.

As a business matter, that means we have been engaged for the last four months in offering litigation expense insurance in the UK, consistent with Firstassist's existing business. That business is performing well and is delivering more than its budgeted EBITDA to date. It also means that we have started to offer litigation funding for domestic UK matters, and have a pipeline of matters in hand that we are evaluating for investment.

As an accounting matter, the inclusion of Firstassist in Burford's accounts obviously makes them more complex – both on an operating basis and with the manner in which the acquisition is accounted for under IFRS. Here are some general notes to help readers better understand the accounts.

Acquisition accounting:

When Burford bought Firstassist, it made two payments. First, Burford paid £10.3 million at completion for the business, which was delivered with £3 million of cash on hand. Then, Burford made a closing adjustment payment a couple of months later, of £2.8 million, reflecting the incremental cash and other assets that had been accumulated on Firstassist's balance sheet between signing the definitive documents and completion. Finally, a large Firstassist case was resolved (as expected) between the time of signing definitive documents and completion; and Burford was never intended to buy that case or its result, but we did (through a non-cash intercompany loan) "pay" for the extra cash it generated and that was left in the Firstassist business. So, from Burford's perspective, we continue to look at this as paying £7.3 million for Firstassist's future cash generation potential, notwithstanding some substantially more complex accounting set out in note 6 of our financial statements.

There are several noteworthy parts of the acquisition accounting.

IFRS requires an estimate of the value of Firstassist's book of business as it existed at the time of completion. That, in accounting terms, is an "embedded value intangible asset" and it is computed without regard to operating expenses or taxes. Once computed, it is then amortised in subsequent periods. Because Firstassist does not recognise revenue from a matter until its conclusion, the value of the existing book of business is considerable, and for this accounting purpose has been set at $31.9 million for this set of accounts (it is subject to future adjustment). A substantial and wholly theoretical deferred tax charge is also created with respect to this intangible asset. Thus, we will experience substantial future charges to income for the non-cash amortisation of this intangible asset (offset somewhat by the crediting back of a portion of the deferred tax charge) – for example, in just the four months since the acquisition was completed, $5.5 million of amortisation has been recorded as an expense with a corresponding deferred tax credit of $1.4 million. While these are material numbers from an accounting perspective, they are entirely non-cash and we will show future earnings separately from them.

Then, because that estimate caused the accounting asset value of the acquisition to exceed the consideration Burford paid (which includes the accounting peculiarity of requiring us to book the 2014 earn-out as though it had been paid now, even though the business first needs to generate a substantial amount of incremental EBITDA before the earn-out would be paid), the acquisition actually created negative goodwill, which is booked as income as a "bargain purchase gain".

Also, under IFRS one is not permitted to capitalise or add to goodwill the transaction costs associated with this type of acquisition, so those are expensed on a non-recurring basis. That resulted in our profit this period being reduced on an accounting basis by $2 million.

Operating accounting:

Firstassist's insurance business results in Firstassist earning money from the litigation expenses insurance policies it originates. Unlike conventional insurance, there is no premium paid at the time a policy is issued; instead, premiums are conditional (on the litigation succeeding) and deferred (until there are proceeds from the litigation). Thus, Firstassist does not recognise any income when it first writes a policy, and because the insurance liability for that policy is underwritten by a subsidiary of MunichRe, the balance sheet risk for the policy while it is outstanding is carried on MunichRe's balance sheet.

When a case succeeds, either by winning at trial or settling, Firstassist then recognises the premium income it expects to receive, and nets against that figure payments to MunichRe and brokers and also a loss reserve to cover the anticipated losses in other cases. The net amount is shown as "insurance-related income" in the income section of Burford's income statement.

Firstassist also incurs direct operating expenses, such as staff and office costs. Those costs are now included on a consolidated basis in Burford's "operating expenses", which is a major reason that line has increased. (We show segment information in the notes.)

Firstassist, as a domestic UK operating business, also incurs and pays UK corporate income tax on its earnings, hence the appearance of a "taxation" line on the income statement.

Finally, Firstassist's management team has a 12.5% ordinary equity interest in the business which exists subject to the substantial overhang of Burford's preferred share interest in Firstassist. Indeed, the structure of the transaction – by design – is such that the current market value of the Firstassist business is entirely in the preferred shares, and the ordinary equity has no market value. Even though that minority interest has no current market value, it still appears in various places in the accounts, most notably in the non-cash line on the income statement entitled "attributable to non-controlling interests".

The bottom line is that we're very happy to have done the Firstassist deal – we think we bought a quality business at a very attractive price – but it comes with some accounting consequences that make the financial statements somewhat more complex than before.

Outlook

Burford turns three in October. Looking at the business today, it is difficult even to recognise that early pioneer. As 2012 continues, our focus will remain on continuing the cycle of harvesting the investment portfolio and deploying capital into promising new investments. At the same time, we will continue our active marketing and communication activities and continue to explore new structures and opportunities to deploy capital and manage litigation risk.

We're grateful to investors for their continuing support, particularly in these challenging macroeconomic times.

Christopher Bogart
Chief Executive Officer
July 2012

Jonathan Molot
Chief Investment Officer

Introduction

We have been engaged by Burford Capital Limited to review the condensed set of financial statements in the Interim Report for the six months ended 30 June 2012 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 17. We have read the other information contained in the Interim 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 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 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 Report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Ernst & Young LLP
Guernsey, Channel Islands
30 July 2012

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.

Consolidated Statement of Comprehensive Income

for the period ended 30 June 2012

	Notes	1 January 2012 to 30 June 2012 $'000	1 January 2011 to 30 June 2011 $'000
Income			
Net gains on investments at fair value through profit or loss	7	2,168	2,930
Net gains on available-for-sale investments	8	3,177	8,563
Interest and other income from litigation portfolio financing		2,084	–
Insurance-related income	2	6,448	–
Net bank interest income		–	1
Net foreign exchange (loss)/gain		(242)	10
Total income		13,635	11,504
Operating expenses	14	(7,703)	(4,369)
Firstassist acquisition costs – non-recurring	6	(2,026)	–
Bargain purchase gain arising on Firstassist acquisition	6	6,247	–
Amortisation of discount on future Firstassist contingent deferred consideration		(102)	–
Amortisation of embedded value intangible asset arising on Firstassist acquisition	5	(5,508)	–
Profit for the period before taxation		4,543	7,135
Taxation	4	(1,075)	–
Deferred tax credit on amortisation of embedded value intangible asset	4	1,377	–
Profit for the period after taxation		4,845	7,135
Attributable to non-controlling interests		(155)	–
Attributable to controlling interests		5,000	7,135
		4,845	7,135
Other comprehensive income			
Fair value change in available-for-sale investments	8	130	1,946
Exchange differences on translation of foreign operations on consolidation		(44)	–
		86	1,946
Total comprehensive income for the period		4,931	9,081
Attributable to non-controlling interests		(155)	–
Attributable to controlling interests		5,086	9,081
		4,931	9,081
		Cents	Cents
Basic and diluted profit per ordinary share	13	2.78	3.96
Basic and diluted comprehensive income per ordinary share	13	2.83	5.04

The notes on pages 12 to 23 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 30 June 2012

	Notes	30 June 2012 $'000	31 December 2011 $'000	30 June 2011 $'000
Assets				
Non-current assets				
Embedded value intangible asset	5	25,919	–	–
Tangible assets		245	–	–
Available-for-sale financial assets	8	149,296	122,940	96,076
Litigation portfolio financing	9	30,000	30,000	–
Due from settlement of available-for-sale financial assets		17,572	14,694	14,500
		223,032	167,634	110,576
Current assets				
Financial assets designated at fair value through profit or loss	7	60,326	144,805	161,260
Due from settlement of available-for-sale financial assets		10,907	–	–
Due from sales of financial assets designated at fair value through profit or loss		10,011	–	23,000
Receivables and prepayments	10	11,228	539	372
Cash and cash equivalents		13,509	8,902	5,558
		105,981	154,246	190,190
Total assets		329,013	321,880	300,766
Liabilities				
Current liabilities				
Payables	11	2,660	2,354	2,498
Current tax payable		1,581	–	–
Due for purchases of financial assets at fair value through profit or loss		–	10,254	–
		4,241	12,608	2,498
Non-current liabilities				
Deferred consideration (on Firstassist acquisition)		10,372	–	–
Deferred tax payable		6,493	–	–
		16,865	–	–
Total liabilities		21,106	12,608	2,498
Total net assets		307,907	309,272	298,268

as at 30 June 2012

	Notes	30 June 2012 $'000	31 December 2011 $'000	30 June 2011 $'000
Represented by:				
Share capital	12	**290,376**	290,376	290,524
Revenue reserve		**9,211**	10,799	2,041
Other reserves		**8,183**	8,097	5,703
Equity attributable to owners of parent		**307,770**	309,272	298,268
Non-controlling interests		**137**	–	–
Total equity shareholders' funds		**307,907**	309,272	298,268

	Notes	Cents	Cents	Cents
Net asset value per share				
Net asset value per ordinary share (computed pursuant to IFRS)	13	**171.06**	171.82	165.70

The notes on pages 12 to 23 form an integral part of these consolidated financial statements.

The financial statements on pages 7 to 23 were approved by the Board of Directors on 30 July 2012 and were signed on its behalf by:

Charles Parkinson
Director

Consolidated Statement of Cash Flows

for the period ended 30 June 2012

	Notes	1 January 2012 to 30 June 2012 $'000	1 January 2011 to 30 June 2011 $'000
Cash flows from operating activities			
Profit for the period before tax		4,543	7,135
Adjusted for:			
Fair value change on financial assets designated at fair value through profit or loss		1,128	(1,778)
Realised gains on disposal of financial assets designated at fair value through profit or loss		(2,798)	(25)
Realised gains on disposal/realisation of available-for-sale investments		(2,727)	(8,563)
Amortisation of embedded value intangible asset		5,508	–
Bargain purchase gain arising on Firstassist acquisition		(6,247)	–
Effect of exchange rate changes on cash and cash equivalents		–	(10)
Depreciation		21	–
		(572)	(3,241)
Changes in working capital			
Decrease in receivables		5,306	302
(Decrease) in payables		(2,874)	(253)
Taxation paid		(823)	(357)
Net proceeds from disposal of assets designated at fair value through profit or loss		65,884	47,570
Purchase of available-for-sale investments		(38,994)	(40,899)
Proceeds from available-for-sale investments		2,513	–
Net cash inflow from operating activities		30,440	3,122
Cash flows from financing activities			
Issue expenses		–	(53)
Dividend paid		(6,588)	(6,587)
Net cash (outflow) from financing activities		(6,588)	(6,640)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	6	(19,245)	–
Net cash (outflow) from financing activities		(19,245)	–
Net increase/(decrease) in cash and cash equivalents		4,607	(3,518)
Reconciliation of net cash flow to movements in cash and cash equivalents			
Cash and cash equivalents at beginning of period		8,902	8,997
Increase/(decrease) in cash and cash equivalents		4,607	(3,518)
Effect of exchange rate changes on cash and cash equivalents		–	10
Cash and cash equivalents at end of period		13,509	5,489

The notes on pages 12 to 23 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the period to 30 June 2012

30 June 2012

	Share capital $'000	Revenue reserve $'000	Available-for-sale reserve $'000	Foreign currency consoli-dation reserve $'000	Non-controlling interest $'000	Total $'000
At 1 January 2012	290,376	10,799	8,097	–	–	309,272
Profit for the period	–	5,000	-	-	(155)	4,845
Other comprehensive income	–	–	130	(44)	–	86
Dividends paid	–	(6,588)	–	–	–	(6,588)
Adjustment arising from change in non-controlling interest on acquisition	–	–	–	–	292	292
Balance as at 30 June 2012	290,376	9,211	8,227	(44)	137	307,907

30 June 2011

	Share capital $'000	Revenue reserve $'000	Available-for-sale reserve $'000	Total $'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

The notes on pages 12 to 23 form an integral part of these 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") and, following the acquisition of Firstassist Legal Group Holdings Limited ("Firstassist") on 29 February 2012, the provision of litigation insurance. 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 2012 to 30 June 2012.

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 2012 with the exception of those associated with the acquisition of Firstassist which are disclosed in note 6 and the Board does not anticipate any changes to the principal risks and uncertainties in the second half of the year.

These consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those financial statements. These financial statements do not contain all the information and disclosures as presented in the annual financial statements. Following the acquisition of Firstassist certain additional accounting policies have become relevant and these are disclosed below.

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

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. The presence of non-controlling interests with respect to Firstassist are discussed further in note 6.

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.

Insurance-related income

Insurance-related income comprises income derived from the sale of legal expenses insurance policies issued in the name of Great Lakes (UK) Plc a subsidiary of MunichRe under a binding authority agreement. Insurance-related income is calculated as the premium earned, net of reinsurance and Insurance Premium Tax, less an allowance for claims, sales commissions, fees and the other direct insurance-related costs such as Financial Services Compensation Scheme Levy. Income is presently recognised only when a case is won or settled as Firstassist is currently providing only insurance policies with deferred and conditional premiums.

Segment reporting

Following the acquisition of Firstassist, for management purposes, the Group is now organised into two business segments, being (i) provision of investment capital and risk solutions and (ii) provision of litigation insurance.

2 Principal accounting policies continued

Foreign currency translation

FIrstassist operates and prepares financial statements denominated in Sterling. For the purposes of preparing consolidated financial statements, Firstassist's assets and liabilities are translated at exchange rates prevailing at each balance sheet date. Income and expense items are translated at average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity (foreign currency consolidation reserve).

Business combinations, goodwill and negative goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Non-controlling interest is measured at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

Contingent consideration is recognised at fair value at acquisition date. Subsequent changes to fair value are recognised in accordance with IAS 39.

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the proportionate net assets or liabilities of the non-controlling interest in the acquiree.

Identifiable intangible assets meeting the criteria for identification under IFRS 3 are recognised separately from goodwill.

If the aggregate of the consideration transferred and non-controlling interest is lower than the fair value of the identifiable net assets of the acquiree, the difference is recognised in profit and loss as negative goodwill (bargain purchase gain).

Embedded value intangible asset

The embedded value intangible is recognised at fair value when acquired as part of a business combination. It represents the excess of the fair value of the future cash flows over the amount recognised in accordance with the Group's policy for recognising insurance-related income. This intangible is amortised to the income statement over the expected life of the business written.

The amount of the intangible is based on management's best estimate and the information available at the reporting date and is subject to adjustment in the post-acquisition period as permitted by IFRS 3.

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 ("Adjusted NAV") of the Company, payable quarterly in advance at an annual rate of 2%, provided that the fee shall not be less than $6 million for each of 2012 and 2013. Adjusted NAV means the net asset value of the Company at the relevant time, after accruing for the annual advisory fee but not taking into account any liability of the Client for accrued performance fees and after (i) deducting any unrealised gains on available-for-sale investments; (ii) adding the amount of any write-downs with respect to available-for-sale investments which have not been written off in full; and (iii) adding the amount of any dividends paid since Admission.

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 Adjusted NAV on any Calculation Date represents at least a cumulative non-compounded 8% return per annum from the Adjusted NAV as of 31 December 2010 (the "Preferred Return") and exceeds the Adjusted NAV on (in the case of the first payment) 31 December 2010 and thereafter 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 Adjusted 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 Adjusted 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 1 January 2012, 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) Adjusted 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 Company under paragraph (iv) above if and to the extent their acquisition by the Company 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 Burford Capital Limited or if Burford Capital Limited expects to be in the foreseeable future a "passive foreign investment company" pursuant to U.S.C. § 1297 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.

c) Administration fee

Under the terms of an administration agreement dated 15 October 2009 between the Company and International Administration Group (Guernsey) Limited (the "Administrator"), as amended, effective 1 April 2012, the Administrator is entitled to receive an annual fee payable quarterly in advance, and further annual fees for the administration of each of the Subsidiaries expected to total approximately $200,000 per annum.

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. No fees are payable other than fees embedded in the underlying investments made by Potomac.

4 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. Firstassist and its subsidiaries (see note 6) are subject to UK taxation based on profits and income for the period as determined in accordance with relevant tax legislation.

All tax arising in the current period arose in Firstassist and comprises current taxation of $1,075,000 and a deferred tax credit of $1,377,000 relating to the amortisation of the intangible asset.

5 Embedded value intangible asset

	30 June 2012 $'000	31 December 2011 $'000	30 June 2011 $'000
At 1 January	–	–	–
Additions (note 6)	31,874	–	–
Amortisation	(5,508)	–	–
Exchange difference on retranslation	(447)	–	–
At 30 June/31 December	25,919	–	–

Firstassist was acquired on 29 February 2012. No impairment review has been undertaken as there are no indications of impairment.

6 Acquisition of subsidiary

On 29 February 2012, the Company acquired Firstassist and its subsidiaries. Firstassist's principal activity is the provision of litigation insurance. Firstassist is regulated by the FSA as an insurance intermediary. The Company acquired 100% of Firstassist's preferred ordinary shares and 87.5% of Firstassist's ordinary shares. The acquisition enables expansion into the UK market through an existing profitable business and the Group also gains the services of a leading team to pursue litigation finance in addition to the insurance business acquired.

6 Acquisition of subsidiary continued

The amounts recognised in respect of the identifiable assets acquired and the liabilities assumed are as set out in the table below:

	$'000
Assets	
Embedded value intangible asset	31,874
Tangible fixed assets	266
Trade receivables	9,194
Other receivables	5,844
Cash at bank and in hand	6,627
	53,805
Liabilities	
Accruals and other payables	(3,945)
Deferred taxation on embedded value intangible asset	(7,968)
Total identifiable net assets	41,892
Non-controlling interest	(292)
Negative goodwill (bargain purchase gain)	(6,247)
Total consideration	35,353
Satisfied by:	
Cash (net of preferred dividend receivable)	24,916
Contingent consideration	10,437
Total consideration	35,353

	$'000
Net cash flow arising on acquisition:	
Cash consideration	25,872
Less: cash and cash equivalent balance acquired	(6,627)
	19,245

The negative goodwill arising is principally attributable to the value of the embedded value intangible asset. The negative goodwill is not taxable.

The contingent consideration recognised at the acquisition date is the net present value of £7,000,000 ($11,156,000) discounted at 3% per annum based on a 31 May 2014 payment date. The contingent consideration arrangements require the achievement of EBITDA targets in 2012 and 2013 and total premium targets in 2013. The consideration is capped at £7,000,000. This has been provided in full based on budgeted performance.

The non-controlling interest in Firstassist is determined after deducting the preferred ordinary shares which are held 100% by the Group from the identifiable net assets (including the embedded value intangible asset).

Non-recurring acquisition costs of $2,026,000 have been expensed in the period.

Firstassist contributed $6,448,000 total income and $423,000 loss after taxation to the Group in the period between the date of acquisition and the balance sheet date. (The loss is after deduction of $4,131,000 in respect of amortisation of the embedded value intangible asset less associated deferred tax credit.)

If the acquisition had been completed on the first day of the financial period, attributable Group total income would have been $16,936,000 and Group profit after taxation would have been $6,472,000.

6 Acquisition of subsidiary continued

As a result of the acquisition the Group has additional exposure to currency risk as Firstassist conducts its operations in Sterling.

Like the Company, Firstassist's business is centred around litigation activity and the assessment of litigation risk and thus the substantive risks set forth previously for the Group generally apply to Firstassist as well. The principal additional risks unique to Firstassist are (i) that Firstassist obtains insurance capacity through an arrangement with Great Lakes Reinsurance (UK) Plc (a wholly owned subsidiary of MunichRe) and thus is dependent on the continuation of that arrangement and the ongoing solvency of Great Lakes (which is currently rated A+ by AM Best and AA- by S&P) and (ii) that the implementation of the recently passed Legal Aid, Sentencing and Prosecution of Offenders Act will reduce the demand for Firstassist's current product offerings.

7 Financial assets designated at fair value through profit or loss

	30 June 2012 $'000	31 December 2011 $'000	30 June 2011 $'000
Listed interest bearing debt securities – fixed	–	29,045	19,287
Listed interest bearing debt securities – floating	–	–	7,004
Listed corporate bond fund	12,057	14,859	16,314
Unlisted fixed income and investment funds	48,269	100,901	118,655
	60,326	144,805	161,260

Reconciliation of movements:

	30 June 2012 $'000	31 December 2011 $'000	30 June 2011 $'000
Balance at 1 January	144,805	230,027	230,027
Purchases	65,814	715,024	499,815
Proceeds on disposal	(151,963)	(805,487)	(570,385)
Realised profit on disposal	2,798	318	25
Fair value change in period	(1,128)	4,923	1,778
Balance at 30 June/31 December	60,326	144,805	161,260

Net changes in financial assets designated at fair value through profit or loss:

	30 June 2012 $'000	30 June 2011 $'000
Realised (including interest income)	3,296	1,152
Unrealised	(1,128)	1,778
Total gains	2,168	2,930

Fair value measurements are based on level 1 inputs of the three level hierarchy system for $12,057,000 (2011: $43,904,000) 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 $48,269,000 (2011: $100,901,000) 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).

8 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. Until 30 June 2011, the Company reclassified as appropriate among portfolio tranches, especially as "core" investments approached realisation and became more appropriately classified as short duration investments, but did not continue to do so following 30 June 2011.

30 June 2012

	Balance at fair value as at 1 January 2012 $'000	Additions $'000	Realisations $'000	Transfers $'000	Net realised gain for period $'000	Fair value movement $'000	Balance at fair value as at 30 June 2012 $'000
Short duration investments	36,646	4,492	–	–	–	510	41,648
Core investments	71,375	33,310	(16,295)	–	2,727	587	91,704
Special situations investments	14,919	1,992	–	–	–	(967)	15,944
Total available-for-sale financial assets	122,940	39,794	(16,295)	–	2,727	130	149,296

31 December 2011

	Balance at fair value as at 1 January 2011 $'000	Additions $'000	Realisations $'000	Transfers $'000	Net realised gain for period $'000	Fair value movement $'000	Balance at fair value as at 31 December 2011 $'000
Short duration investments	38,073	9,016	(29,691)	3,287	12,100	3,861	36,646
Core investments	15,662	69,150	(10,310)	(3,287)	160	–	71,375
Special situations investments	8,084	6,356	–	–	–	479	14,919
Total available-for-sale financial assets	61,819	84,522	(40,001)	–	12,260	4,340	122,940

30 June 2011

	Balance at fair value as at 1 January 2011 $'000	Additions $'000	Realisations $'000	Transfers $'000	Net realised gain for period $'000	Fair value movement $'000	Balance at fair value as at 30 June 2011 $'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

8 Available-for-sale financial assets continued

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).

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

	30 June 2012 $'000	30 June 2011 $'000
Net realised gain for period	**2,727**	7,742
Impairment in respect of short duration investment	**–**	(1,846)
Net gains on available-for-sale financial assets (above)	**2,727**	5,896
Reduction in liability for investment sub-participation	**–**	2,667
Fee income	**450**	–
Net gains on investments in claims	**3,177**	8,563

9 Litigation portfolio financing

The financing is classified as loans and receivables and measured at amortised cost. The $30,000,000 financing attracts interest at 13.5% per annum, payable monthly and is repayable in instalments commencing on 31 January 2014 and maturing on 31 July 2016. It is secured on the assets of the borrower.

10 Receivables and prepayments

	30 June 2012 $'000	31 December 2011 $'000	30 June 2011 $'000
Trade receivable (Firstassist)	**10,445**	–	–
Loans	**559**	–	–
Prepayments accrued	**161**	135	54
Accrued bond interest	**–**	334	318
Other debtors	**63**	70	–
	11,228	539	372

11 Payables

	30 June 2012 $'000	31 December 2011 $'000	30 June 2011 $'000
Audit fee payable	**105**	94	72
General expenses payable	**372**	124	20
Investment advisory fee payable	**–**	122	106
Investment costs payable	**850**	681	898
Investment sub-participation	**1,333**	1,333	1,333
Bank overdraft	**–**	–	69
	2,660	2,354	2,498

12 Share capital

Authorised share capital	$'000
Unlimited ordinary shares of no par value	
At 30 June 2012, 31 December 2011 and 30 June 2011	–

Issued share capital	Number
Ordinary shares of no par value	
At 30 June 2012, 31 December 2011 and 30 June 2011	180,000,001

	30 June 2012 $'000	31 December 2011 $'000	30 June 2011 $'000
At 1 January	**290,376**	290,577	290,577
Allocation of issue costs	**–**	(201)	(53)
At 30 June/31 December	**290,376**	290,376	290,524

The Company has authority to make market purchases of up to 15% of its own issued ordinary shares, expiring at the conclusion of the 2013 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% of the Net Asset Value less unrealised gains, intangible assets and dividends paid.

13 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 $5,000,000 (30 June 2011: $7,135,000) and the weighted average number of ordinary shares in issue of 180,000,001 (30 June 2011: 180,000,001). Comprehensive income per ordinary share is calculated based on comprehensive income for the period of $5,086,000 (30 June 2011: $9,081,000), and the weighted average number of ordinary shares in issue of 180,000,001 (30 June 2011: 180,000,001).

Net Asset Value per ordinary share was calculated by dividing the total assets less total liabilities less non-controlling interest of the Company by the number of ordinary shares then in issue of 180,000,001.

14 Segmental information

Management consider that there are two operating business segments, being (i) provision of investment capital and risk solutions and (ii) provision of litigation insurance.

Segment revenue and results
30 June 2012

	Investment capital and risk solutions $'000	Litigation insurance $'000	Other corporate activity $'000	Total $'000
Income	5,261	6,448	1,926	13,635
Operating expenses	(1,615)	(1,665)	(4,423)	(7,703)
Firstassist acquisition costs	–	–	(2,026)	(2,026)
Bargain purchase gain	–	–	6,247	6,247
Amortisation of discount on future Firstassist contingent deferred consideration	–	–	(102)	(102)
Amortisation of embedded value intangible asset	–	(5,508)	–	(5,508)
Profit for the period before taxation	3,646	(725)	1,622	4,543
Current taxation	–	(1,075)	–	(1,075)
Deferred tax credit	–	1,377	–	1,377
Other comprehensive income	130	–	(44)	86
Total comprehensive income	3,776	(423)	1,578	4,931

14 Segmental information continued

Segment assets
30 June 2012

	Investment capital and risk solutions $'000	Litigation insurance $'000	Other corporate activity $'000	Total $'000
Non-current assets				
Embedded value intangible asset	–	25,919	–	25,919
Tangible assets	–	245	–	245
Available-for-sale financial assets	149,296	–	–	149,296
Litigation portfolio financing	30,000	–	–	30,000
Due from sale of available-for-sale financial assets	17,572	–	–	17,572
	196,868	26,164	–	223,032
Current assets				
Financial assets designated at fair value through profit or loss	–	–	60,326	60,326
Due from settlement of available-for-sale financial assets	10,907	–	–	10,907
Due from sale of financial assets designated at fair value through profit or loss	–	–	10,011	10,011
Receivables and prepayments	–	11,112	116	11,228
Cash and cash equivalents	5,572	7,937	–	13,509
	16,479	19,049	70,453	105,981
Total assets	213,347	45,213	70,453	329,013
Current liabilities				
Payables	(2,187)	(368)	(105)	(2,660)
Current tax payable	–	(1,581)	–	(1,581)
	(2,187)	(1,949)	(105)	(4,241)
Non-current liabilities				
Deferred consideration	–	–	(10,372)	(10,372)
Deferred tax payable	–	(6,493)	–	(6,493)
	–	(6,493)	(10,372)	(16,865)
Total liabilities	(2,187)	(8,442)	(10,477)	(21,106)
Total net assets	211,160	36,771	59,976	307,907

For periods prior to 30 June 2012 there was a single segment being investment capital and risk solutions.

15 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 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 2012, considering the amount of capped commitments and the Company's estimate of uncapped funding obligations, the Group had outstanding commitments for approximately $75 million (2011: $72 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 that $75 million in commitments, the Company expects less than 50% to be sought from it during the next 12 months.

16 Related party transactions

Investment advisory fees for the period payable to the Investment Adviser amounted to $3,017,000 (30 June 2011: $2,924,000). The amount of investment advisory fees outstanding at 30 June 2012 was $Nil (31 December 2011: $122,000; 30 June 2011: $106,000). Moreover, pursuant to the investment advisory agreement, the Company may elect to ask the Investment Adviser to perform certain services in lieu of the Company performing them directly. The Company is under no obligation to do so, and if it does so elect, the price paid for those services is wholly in the Company's discretion, although the Investment Adviser is similarly under no obligation to accept the Company's request. In 2012, the Company did so elect, and has paid a further $1,450,000 to the Investment Adviser in that regard.

Directors' fees paid in the period amounted to $183,000 (30 June 2011: $161,000). The amount of directors' fees outstanding at 30 June 2012 was $Nil (31 December 2011: $Nil; 30 June 2011: $Nil).

Administration fees payable to the Administrator in the period amounted to $189,000 (30 June 2011: $158,000). There are no administration fees outstanding at 30 June 2012 (31 December 2011: $Nil; 30 June 2011: $Nil).

There is no controlling party.

17 Subsequent events

There have been no significant subsequent events.

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