Burford

Leading the way, today and for the long term

BURFORD CAPITAL ANNUAL REPORT 2019

About Burford Capital

Burford Capital is the leading global finance and asset management firm focused on law. Its businesses include litigation finance and risk management, asset recovery and a wide range of legal finance and advisory activities. Burford is publicly traded on the London Stock Exchange, and it works with law firms and clients around the world from its principal offices in New York, London, Chicago, Washington, Singapore and Sydney.

Contents

COVID-19

Beginning in the first quarter of 2020, the COVID-19 pandemic has had a major impact on business, markets and the world. Although we do not address COVID-19 significantly in a report covering 2019, we do provide on page 73 an extensive discussion of its potential future impact on Burford, based on what we know at the time of publication of this report. We would encourage investors to refer to any subsequent updates we release on this topic for more current information.

Watch our CEO Christopher Bogart
summarise our performance at www.burfordcapital.com/shareholders/

Our 10-year history

2009
Burford IPO
In the midst of the global financial crisis, Burford completes a $130 million IPO.

2010
First ever portfolio investment
Recognising the benefit to clients of financing multiple matters in one capital facility, Burford makes its maiden legal finance portfolio investment—a first for the industry.

2011
Burford opens London office
With the announced acquisition of the UK's leading ATE insurance provider, Firstassist Legal Expenses, Burford enters the UK legal finance market.

2012
Inaugural legal finance survey
Burford launches its inaugural annual research survey; one in ten respondents say their organisations have used litigation finance.

2013
Trailblazers
Burford founders Christopher Bogart and Jonathan Molot named among the National Law Journal's inaugural list of Legal Business Trailblazers & Pioneers.

Leading the way, today and for the long term

At Burford, we have set a goal to be more than just the leader of the litigation funding industry. We aim to transform how companies and law firms finance their legal assets. In setting this more ambitious goal, we enhance opportunity for all our stakeholders—among them our clients, investors and employees.

We are proud of our achievements in our first decade and confident in the increasing value and appeal of our capital and services in the years ahead, especially in these uncertain times. As demand for commercial legal finance increases, we will continue to grow and set stretch goals to evolve our business—underpinned by what is arguably the most experienced and innovative team in the industry.

2015
Burford acquires asset recovery boutique

With the addition of London-based Focus Intelligence, Burford becomes the first legal financier to offer funded judgment enforcement in house.

2016
With GKC acquisition, Burford opens Chicago Office

Burford becomes the world's largest provider of legal finance by a significant margin and the only provider with both public and private capital.

2017
Burford opens Singapore office

Burford becomes the first to finance a Singapore-seated arbitration.

2018
The Equity Project launches

The Equity Project launches with a $50 million pool of capital to finance litigation matters led by women–helping to close the gender gap in law.

2019
Burford continues growth

Burford passes the $1.5 billion mark for Group-wide commitments. With new offices in Sydney and Washington, Burford continues to grow its team and business.

Financial summary

Full audited IFRS consolidated financial statements can be found beginning on page 103 of this report. Below is a summary of Burford's results without third-party interests in consolidated entities and after certain adjustments made to assist in understanding the underlying performance of Burford. Without these adjustments, reported profit after tax would have been $212.1 million, and the decrease against 2018 would have been 33%.

Burford-only results without third-party interests in consolidated entities, as adjusted

	2019 $'000	2018 $'000	% change
Capital provision income	**316,780**	392,525	
Asset management income	**26,130**	15,799	
Services and other income	**13,800**	12,050	
Total income*	**356,710**	420,374	-15%
Operating expenses	**(77,412)**	(65,494)	
Operating profit*	**279,298**	354,880	-21%
Finance costs	**(39,622)**	(38,538)	
Profit before tax*	**239,676**	316,342	-24%
Taxation	**(13,417)**	12,463	
Profit after tax*	**226,259**	328,805	-31%

* Total income, operating profit, profit before tax and profit after tax exclude the impact of amortisation of the intangible asset, operating expenses incurred related to (i) one-time expenses related to equity and listing matters and (ii) case-related legal fees not included in asset cost, and third-party interests in consolidated entities. Refer to pages 90 and 91 for a reconciliation to the reported IFRS consolidated statement of comprehensive income.

Throughout this document reference is made to various terms associated with the Burford structure: these include Burford only or balance sheet, the Company, Group, Group-wide, BOF, BOF-C, and the Strategic Value fund. These, along with other key terms, are set out in the glossary of terms on pages 154 to 158.

At a glance

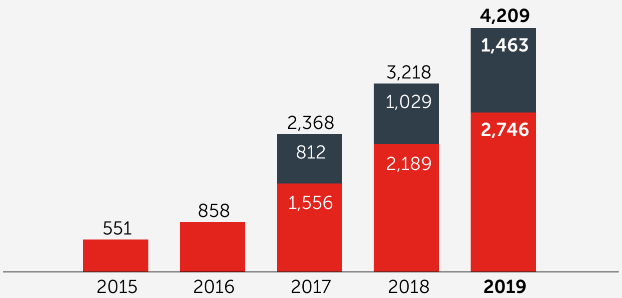
A specialty finance business focused on law

Burford is a multi-faceted financial services business focused on the legal industry

- Clear market leader in legal finance
- Strong position with significant moats
- Diverse capital structure including innovative financings
- Significant positive cash flow

Large, diversified portfolio

Total portfolio
($ in millions)

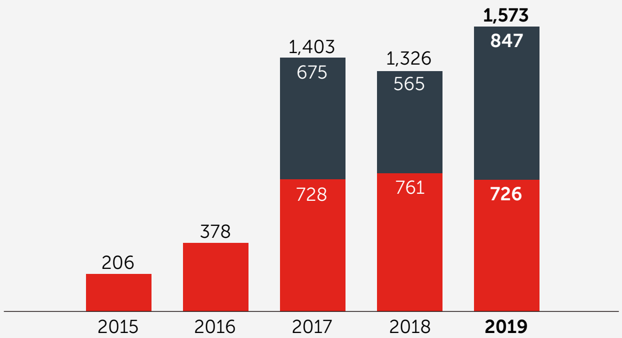


■ Burford balance sheet only ■ Funds including SWF

For more details see page 35.

Continued rapid growth

Annual commitments
($ in millions)

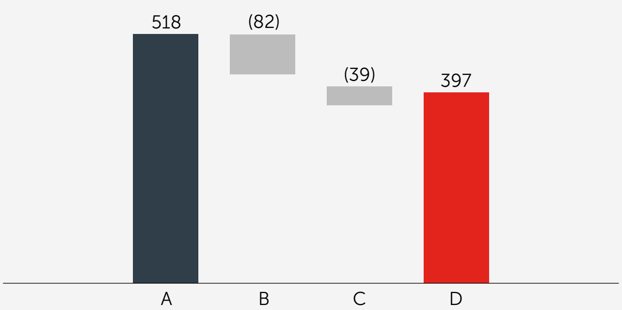


■ Burford balance sheet only ■ Funds including SWF

For more details see page 49.

Strong cash generation

Cash generated during 2019
Burford balance sheet only
($ in millions)



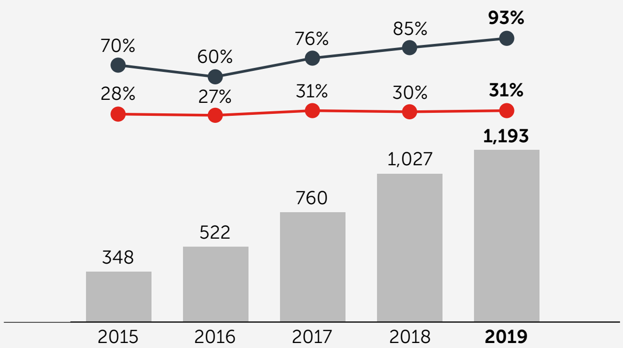
A Cash generated from operations
B Operating expenses
C Finance costs
D Cash available for deployment

■ Total ■ Expenses ■ Net

For more details see pages 32–33.

Consistent returns

Core litigation finance returns since inception
Burford balance sheet only
($ in millions)



■ Core litigation finance recoveries —●— ROIC % —●— IRR %

For more details see pages 41–44.

We assess the performance of the Group using a variety of alternative performance measures, which are explained on page 25. We refer readers to greater detail and explanation about all of the data above in our financial and operational review beginning on page 29 and the definitions on page 25.

Management statement

2019: Leading the way today

Sir Peter Middleton GCB
Chairman

Christopher Bogart
Chief Executive Officer

Jonathan Molot
Chief Investment Officer

Record levels of new business, exceeding $1.5 billion for the first time

In 2019, the final year of its first decade, Burford made new commitments of more than $1.5 billion, a record, and deployed more than a billion dollars in capital. We have come a long way from the $11 million in commitments we made in 2009, our first year in business. That speaks to what we have accomplished: the transformation of the global legal industry as a user of capital, and the creation of a widespread understanding that legal claims and judgments are financeable assets.

We have done that by building an industry-leading team that lives up to the quality of the global brand we have developed. Sixty-three percent of lawyers name Burford first or solely in answer to the question, "What providers of litigation finance are you most familiar with?" No other firm even makes it to ten percent.

Portfolio growth and scale underpin future cash flows with stable, high returns

We now have a multi-billion-dollar portfolio and a global business, and we are well-positioned for our second decade. We are bullish about where we think the use of capital in the legal sector is heading, and we are set to be a meaningful part of that future.

We are well-positioned because we have a large and growing portfolio that is primed for future success. Diversified portfolios of litigation assets like ours can reasonably be expected to produce desirable net positive cash flows for years into the future given the combination of the propensity of litigation to settle and the positive asymmetry of the financial outcomes in adjudicated litigation. We have been able to generate robust portfolio returns throughout our history, with our core litigation finance portfolio generating returns of 93% on invested capital for our balance sheet since inception. We believe that our existing portfolio will produce substantial positive returns over time.

Moreover, as we continue to generate new business, we establish the foundation to continue to deliver those positive returns far into the future. The substantial increase in new business we have seen in the last three years has yet to deliver much in the way of performance — and that is entirely consistent with the reality that litigation is slow moving, and each stage of it takes time. We have historically measured the duration of our portfolio based on the weighted average time of deployments as a starting point, and in many instances it can take quite some time for us to deploy the capital we have committed to investments. Thus, we don't expect that we should already be seeing substantial realisations on the larger deployment volumes we have made just since 2017.

Business robustly cash generative with strong liquidity

Burford's business generates a significant amount of cash and always has. We more than cover our operating expenses and financing costs with the cash we generate from assets, and we generate cash profits. We then redeploy that recovered cash in new assets. In 2019, we generated over four times more balance sheet cash receipts than we needed to cover our operating expenses and interest, leaving almost $400 million available for redeployment. Because of our rate of growth, we may also from time to time raise capital to finance some of those new deployments, but doing so is not an imperative; if we elect not to raise incremental capital, we could simply grow the business less quickly than might otherwise be possible.

We have always managed our liquidity prudently and conservatively to ensure adequate capital to meet our clients' needs. We have sizeable cash balances and maintain low leverage. At year end, we had $206 million of liquidity on the balance sheet and a 17% net debt/tangible assets leverage ratio.

In recognition of the need for incremental growth capital, we have established multiple capital sources over the last few years so that we now have a substantial investment management business with almost $3 billion in AUM and with over $700 million available for us to call and deploy. Access to these multiple capital sources enhances our liquidity and ability to grow.

The strong demand we saw in 2019 for new commitments resulted in our latest fund, the $300 million Burford Opportunity Fund, being almost fully committed well ahead of schedule. To bridge the period to a new fund, our sovereign wealth fund strategic capital partner has agreed to increase its share of commitments to the extent BOF is full.

By definition, legal finance cash flow is "lumpy"

As we have long made clear, we can neither predict nor control the timing of the generation of our litigation returns. Burford is not a business for those focused on short-term profits or for those who eschew volatility and seek predictability. Quarterly earnings are both irrelevant to understanding the value of our business and outside our control. We finance large, complex commercial claims. Our cash flows come from their resolution. There is no "normal" for such claims; they are inherently idiosyncratic. We have had cases resolve in less than a week, and we have matters from 2010 still going strong. That is the opportunity in our business, and it is why we are able to generate the returns we have historically delivered. If litigation were predictable as to outcome and duration, banks could finance it; there would be no need for Burford.

That does, however, create a difficult marriage between legal finance and the public markets. This year was a slower year than last for the resolution of existing business simply because cases didn't show as much activity as they did the year before. As a result, our income was lower overall. We are not concerned about that; we like our portfolio, and we did not suffer any meaningful setbacks — indeed, our realised losses declined to less than 1% of average portfolio assets from over 3% in the prior year. We can't control when matters resolve — and in many instances, we make more money from delay. But we know that this private equity-like approach can sit uneasily in a public-market environment where investors are inclined toward predictability and often take shorter-term views. We are confident in our course, and we will keep doing what we have been doing. We are voting with our own time and money — and so are Burford employees, who own almost 10% of our stock. Dozens of our people are also invested in our funds. We have low turnover and a strong cohort of people who want to work for us. Clearly our team has confidence in our eventual outcomes.

Petersen's role in our growth

Burford's business has experienced explosive growth in the last three years. In 2019, we committed nearly $1.6 billion to new assets Group-wide and deployed $1.1 billion; in 2016, those numbers were $378 million and $276 million, respectively.

That growth has required significant investment in growing our business — and in particular growing our team — even as the new investments we have made largely remain unconcluded.

At the same time, we have enjoyed considerable success from our funding of the Petersen litigation, enabling us since 2015 to sell 38.75% of our interest in its outcome for cash proceeds of $236 million — and our total deployment in Petersen remains below $20 million.

That success has had three impacts on our business. First, we have been able to use the cash generated by the Petersen sales to finance the growth of our business. Second, we have been able to rely on the cash profits — the realised gains — provided by those sales during a period when our profitability would otherwise have been considerably lower while we wait for the higher volumes of business we have written recently to turn into cash profits. We have been clear about the positive cash attributes of Petersen on Burford's business — and about how large successes like Petersen are a recurring part of Burford's business, not a one-time event.

The third impact is an accounting one: We are required to account for our litigation assets at fair value. In traditional ongoing litigation, without any secondary sales to third parties, the accounting impact of fair value accounting is modest. We only adjust carrying values on the basis of objective events in the underlying case, and then moderately; most of our traditional litigation finance income comes at the conclusion of matters, meaning that our existing portfolio has significant upside remaining if it performs consistently with past practice. In fact, the current total fair value mark on our direct capital provision portfolio (core litigation finance and asset recovery) excluding our YPF-related assets is only $38 million and has never been larger than $65 million in our history. However, when faced with substantial sales to independent third parties, we concluded that, under the accounting standards, we should look more to those sales prices than to litigation assessments, and the sales prices of successive Petersen sales have thus weighed more heavily over time on our asset valuation as the number of buyers and the total volume of sales have increased. This trend reached its zenith in 2019 when we not only sold $100 million worth of Petersen but our broker for the transaction also organised more secondary sales, resulting in 15% of the total asset changing hands in a single sale. That was a sufficiently large sale to a dispersed group of buyers that our final 2019 valuation of Petersen was entirely based on the sale price. We discuss Petersen and its fair value in more detail later in this annual report.

In essence, Petersen has operated as a valuable bridge from a smaller Burford to a larger one as we wait for the remainder of the portfolio to perform, something we have already begun to see in 2020.

Short attack affected investor confidence, not business fundamentals

The fundamentals of Burford's business remain unchanged from before last summer's short attack — and indeed we added new staff, new products and new clients in late 2019 that leave us in an even stronger position than we were before. As can be seen by our record-breaking level of new business, the short attack did not cripple Burford's ability to grow and carry on its global strategy.

However, we take very seriously the impact of the short attack on our shareholders and our share price, even if the substantive allegations were meritless and easily debunked, and even if the ensuing turmoil did not change the fundamentals of our business. That is why we have engaged with regulators on both sides of the Atlantic, and that is why we have begun legal proceedings to attempt to discover the identities of traders who we believe manipulated Burford's share price, although it is regrettable that the LSE has elected to attempt to block those proceedings instead of working with us to seek redress for shareholders' losses. We have also increased very considerably our shareholder outreach activities in order to educate new potential shareholders about Burford and its business model and to create demand for our shares; we were pleased to see the arrival of two new 5% shareholders and a number of other institutional holders in the months following the short attack.

Short attacks are corrosive; they injure innocent shareholders and they inspire panic selling. That is, of course, why they have gained popularity with unscrupulous attackers; if the arrival of a short attack triggers a feedback loop suggesting that shares will reliably fall quickly, then even shareholders who are confident of the prospects of their investments will sell into the attack, delivering ill-gotten gains to the short attackers and their co-conspirators on the backs of long-term shareholders. If one adds illegal manipulation into the mix, the rewards can be even greater. There are only two ways to combat this phenomenon: Regulators can act, or shareholders can collectively resist the urge to sell into attacks and instead buy on dips, rather than leaving the low-hanging fruit to hedge funds. And while it would be nice to believe that the FCA and the LSE would bestir themselves, recent history suggests otherwise.

At the end of the day, however, much as we may bemoan the regulatory response or the wrongdoing itself, it now falls to us to restore shareholder confidence and to continue to deliver performance, a challenge and a responsibility we are happy to accept. Unfortunately, events outside of Burford's control — market and economic turmoil, slow-moving courts and challenges at some of our shareholders — have made the rehabilitation of our share price more difficult in the short term, but we have always taken a longer-term view and continue to do so.

Governance engagement and continued transparency increases

While the short attack did not raise any lasting questions about the substance of our business or our accounting, it did cause shareholders to express concern about corporate governance and transparency issues, and we have listened and responded.

- We issued detailed public statements about business issues, providing an unprecedented level of transparency into our activities, including our approach to fair valuing our assets, and this 2019 annual report continues to increase our transparency
- We have now named two new proposed independent directors with extensive market and finance experience to the Board, nominated Christopher Bogart, our CEO, for board membership, and announced a comprehensive Board succession plan
- We are pursuing a dual listing in the US
- We have reorganised our management team to emphasise our deep bench of management talent
- We have appointed a new CFO and engaged in succession planning in the finance function

We have also extensively redesigned and enhanced our annual report. Some shareholders may be sad that we have trimmed back our discursive commentary on the business and resorted to a more traditional shareholder report format, but we hope that a significant number of newly enhanced disclosures help to compensate for the change — while this letter continues the bully-pulpit tradition we have established over the past decade.

It has been a turbulent year and we are grateful for the support of shareholders who have stuck with us. It is cold comfort to note that even at its year-end share price Burford generated a 743% total shareholder return (TSR) since our IPO 10 years ago compared to a 125% TSR for the FTSE All-Share index and a 60% TSR for the FTSE AIM Index over the same period — and while markets have obviously declined subsequently, even our depressed share price today remains many multiples ahead of the indices.

Social responsibility is in Burford's DNA

This year, more businesses than ever are writing about social responsibility.

For many companies, social responsibility requires them to do something that they are not doing, and which in many cases does not fit neatly with — and indeed is inconsistent with — their businesses. Industrial companies need to reduce their carbon footprints. Tech companies need to consider privacy. Both would earn more profits by not changing.

At Burford, there is no such tension. The rule of law is one of the cornerstones of civilised society. Burford's business makes the rule of law fairer, more accessible and more efficient. Our entire business is about social responsibility, and it happens effortlessly, every day, while also generating profits. As Lord Neuberger, the President of the UK Supreme Court, put it: "Litigation funding is the life-blood of the justice system. It helps maintain our society as an inclusive one."

Our asset recovery business, which was much maligned and regularly misrepresented in the English press this year, is an excellent example of this. Without our asset recovery team, which exists purely to enforce court orders against rogue debtors, court decisions would mean less, the courts would be regarded with less respect and the rule of law would be weaker. If ignoring court orders starts not to have consequences or to become socially acceptable, the entire fabric of the courts and their role in society are weakened. Burford's asset recovery business helps ensure that does not occur.

The year ahead

We enter 2020 with considerable optimism about our business and have announced substantial positive progress in our investment portfolio to date.

At the time of writing, it is too soon to know how profound the impact of the COVID-19 outbreak will be on the global economy or our business; we include extensive commentary on it on page 73. Regardless, it seems reasonable to believe that we are entering a potentially severe economic downturn, an environment that tends to spawn litigation and puts pressures on corporate legal departments and their law firms, conditions that increase demand for our capital and services.

We are particularly grateful for the support of all of our stakeholders during the past year and we look forward to continuing our dedication to Burford's performance.

Sir Peter Middleton GCB
Chairman

Christopher Bogart
Chief Executive Officer

Jonathan Molot
Chief Investment Officer

Q&A

We provide below some of the questions we regularly receive from shareholders and bondholders, and our responses.

Q. Your new commitments grew a lot in 2017 and have remained high ever since, and you say the average life of your litigation finance assets is about two years. Why haven't you seen more realisations?

A. They're coming! They just take some time. For context, 31% of 2017 matters by number are either concluded or have generated partial realisations. That number is 58% for 2016 and 81% for 2015—and 23% for 2018 and 6% for 2019. Making a commitment doesn't necessarily mean that we have begun deploying capital against that commitment. In fact, it takes us six months on average to go from commitment to deployment—and in matters where our capital is flowing out over the life of a matter, sometimes much longer. From that point of average deployment, it has taken 2.3 years for the average recovery. Moreover, we make more money from successful adjudications than from settlements, and adjudications have had a weighted average life of 3.4 years. Extracting desirable returns from our portfolio is a multi-year process, but we have been doing it successfully for more than a decade, and our consistent IRRs prove that out. The graphs on page 40 show this point in more detail.

Q. If you don't raise new capital, will you have enough liquidity to cover your operating and financing costs and meet your commitment obligations?

A. Burford has a strong liquidity position—over $200 million in cash and cash management assets at the end of 2019 and another $185 million in short tenor complex strategies assets on its balance sheet. Burford also generates a lot of cash. Over the last three years, Burford has generated more than a billion dollars of cash from operations—an average of $376 million in balance sheet cash receipts per year, after paying all operating expenses and finance costs, with $397 million of that coming in 2019, a relatively quiet year for the business.

And while Burford has many opportunities to deploy capital into new investments, it only has $289 million of balance sheet legal finance commitments where failure to deploy capital as needed comes with adverse consequences—and Burford has only deployed a median of 16% of its unfunded commitments each year. In short, while the pace of Burford's future growth is related to continued access to capital, we don't see liquidity risk from our current position.

Q. What will the impact of COVID-19 be on Burford?

A. We talk extensively about COVID-19 on page 73. Moreover, it is simply an unfortunate fact of life that there are inevitably more disputes and less corporate liquidity in any economic downturn, and thus likely increased demand for Burford's services for several years to come.

As to COVID-19 in the short term, Burford is fortunate in that its business is much easier than many to operate remotely and we were prompt to close our offices (doing so before there were requirements in force) in order to safeguard our staff's well-being and eliminate their need to commute to work. We also dispersed our senior management team geographically, with three senior people (including our CEO and CFO) relocating away from their usual New York base. We believe that only three of our staff have tested positive for COVID-19 and all have recovered. We also took other steps to reduce implied pressure on staff to work together physically; for example, we believe we were the first London-listed firm to delay release of our results, something for which we received some criticism at the time only for that to become commonplace and ultimately mandated by the FCA. The Board is monitoring the situation closely, including through weekly calls.

We are also being prudent about liquidity, both to preserve it in a world where liquidity has suddenly become a scarce commodity and to maximize our ability to take advantage of the new opportunities we expect to see in the coming months. Difficult measures such as the decision not to propose a final dividend are part of that prudential approach.

Q. Why doesn't Burford buy back its shares given their sharp decline in price?

A. Especially in a time of dislocated markets with uncertain paths to incremental liquidity, we think the long-term interest of the business is to husband our capital to our clients' use and continue to grow and expand our portfolio; we believe that that will continue to add more long-term value to shareholders than the short-term panacea of a share buyback.

Q. Why have your shares declined so much in price and not recovered?

A. Burford's shares began to come under pressure in the middle of 2019 when the Woodford Equity Income Fund, one of Burford's largest shareholders, encountered difficulty and suspended withdrawals. That led short sellers to predict—accurately, as it turned out in the end—that Woodford would become a forced seller of its large positions like Burford. Then in August, Burford was the victim of a false and misleading short attack which, aided by what we believe was illegal market manipulation, caused Burford's shares to fall sharply. In the aftermath of the short attack, when new shareholders were coming into the stock and one might normally have expected a recovery, the continuing overhang of the Woodford position and rumoured weakness at another large holder contributed to ongoing softness and persistent selling. More recently, macroeconomic conditions have battered Burford like many other stocks, although even at its current depressed level Burford has still dramatically outperformed the indices since its inception a decade ago. In short, a number of factors external to Burford unfortunately coalesced to damage our share price.

As we face economic uncertainty and dislocation, we would expect—just as occurred following the global financial crisis—to see significant demand for our capital and many desirable opportunities, and our management team has confidence in Burford's long-term prospects.

Q. If you believe in the business and think it is undervalued, why isn't the management team buying stock?

A. Burford's team has bought approximately $10 million in stock in the last nine months and now owns almost 10% of the business, making management likely the largest shareholders—in addition to investing millions of dollars in Burford's private funds. Moreover, Burford's CEO and CIO have both committed to use the entire proceeds of their 2019 annual performance bonuses (which were set and paid some time ago) to buy Burford's securities in the market. However, the suggestion that the only way for management teams to show confidence in the business as its share price falls is to buy more and more stock simply isn't so; the management team is highly aligned with shareholders and strongly motivated to generate share price performance through what are already extensive shareholdings and fund investments.

Q. Why have we yet to see any meaningful performance fees from Burford's private funds?

A. Burford's funds (except for the Strategic Value Fund and the Sovereign Wealth Fund arrangement) operate on a European waterfall basis, meaning that performance fees are not paid until close to the end of a fund's life, and the funds still have meaningful continuing investments. However, 2019 did see a significant—65%—increase in asset management income, including almost $8 million in performance fees and income from our SWF arrangement.

Q. You have now disclosed that the Petersen case makes up much of the fair value on your balance sheet. Why is that, why have you not disclosed that before and what does that say about the remainder of your portfolio?

A. In general, we are not in a position to disclose the carrying values of individual assets for legal privilege and confidentiality reasons; we discuss this further on page 19 of this report. However, during 2019, we concluded a further sale of a portion of our entitlement to proceeds in the Petersen matter; that sale was of such size and breadth that in our year end valuation process we concluded that our remaining Petersen holdings should appropriately be marked at that sale price, without using any privileged or confidential information in the valuation process, thus enabling us to release its carrying value.

What this enables us to demonstrate is how historically modest and reliable our fair value marks are on assets other than those influenced by third-party sales; on average, we mark assets up to 29% or less of their ultimate realised value, and we tend to take most of our unrealised gain in the year prior to conclusion of an asset position. We have an extensive discussion around fair value later in this annual report.

Q. What has the feedback been from shareholders on the changes to the Board and its succession plan?

A. We have found the vast majority of shareholders to be supportive of both the substance and the clarity of succession planning for the Board. We continue to believe it would be a mistake to rotate Burford's experienced Board too quickly.

Q. Where does the US listing stand?

A. We have been working towards filing a registration statement with the SEC for a US listing as soon as the auditors have completed their work on the financial statements. Although we originally anticipated being in a position to file by the end of April, the delay in the audit process because of COVID-19 and the continued challenges of a remote working environment are likely to create a backlog for the auditors that may extend that date somewhat.

Q. Why do you need to pay your senior managers so much?

A. Burford deploys capital in a specialised area where experienced and highly skilled people are critical to successful decision-making. Good lawyers are, simply put, very expensive. Our senior people are paid considerably less in cash compensation than they would be able to earn at law firms and investment banks, and are aligned with shareholders in looking to the appreciation of Burford's equity to complete their compensation packages.

Our business model

How we deliver value

Commercial legal claims, defences, settlements, judgments, awards and fee receivables are financial assets. We help companies and law firms unlock the value of these financial assets by providing a range of financing and risk management solutions based on their expected future value. We fund these solutions by deploying capital from our own balance sheet and private investment funds that we manage.

Our products and services

Burford's breadth of services gives us many ways to work with clients and generate revenue from our expertise in valuing and managing legal assets.

Core litigation finance

- Financing to corporate clients and law firms against value of legal assets either on a single case or a portfolio basis
- Client retains ultimate decision-making authority in the litigation

Complex strategies

- Investment in underlying asset where the value to Burford is tied to the outcome of litigation or regulatory process

Asset management

- Managing private investment funds focused on legal finance assets

Asset recovery

- Enforcement of judgments globally
- Expert assistance to lawyers and clients on global asset collection and enforcement

Post-settlement

- Monetisation of post-settlement and other legal receivables
- Deployments made only through funds

Legal risk management

- Global large dollar adverse cost insurance

Our diversified capital structure

We operate multiple sources of capital, as this better serves clients while giving us a competitive advantage and the optionality to sustain our high growth.

Total portfolio

- Balance sheet **65%**
- Strategic capital **6%**
- Private funds **29%**

$4.2b
In our Group-wide portfolio

Balance sheet

$2.3b
total assets, including

- $1.8b capital provision portfolio
- $0.2b cash

Funded by

- $1.5b shareholders' equity
- $0.7b debt

Strategic capital

$1b
pooled SWF arrangement

- $667m from sovereign wealth fund
- $333m from balance sheet

Profit split

- 60% to the balance sheet
- 40% to the sovereign wealth fund

Private funds

$2.9b
assets under management, including funds currently being invested:

- $500m Strategic Value Fund
- $300m Burford Opportunity Fund
- $300m Burford Alternative Income Fund

Details on the figures contained on pages 10 and 11 can be found in the Financial and operational review section starting on page 29.

Our cash generation and returns

We use organically generated capital from fees and asset realisations as well as external finance to fund profitable balance sheet growth.

Balance sheet realisations from concluded portfolio since inception*

$1.3b
Total recoveries

$0.6b
Cash profits from recoveries

$0.7b
Deployed capital returned from recoveries

Core litigation finance

93%
ROIC

31%
IRR

Capital provision-direct*

88%
ROIC

31%
IRR

Group-wide cash receipts

$1b
2019

Balance sheet cash receipts

$0.5b
2019

$2.1b
since inception

* Capital provision-direct portfolio which includes core litigation finance, asset recovery and non-fund complex strategies assets.

Our stakeholder values

We are strongly aligned behind the shared objective of creating value for all our stakeholders worldwide.

Shareholders

We aim to deliver superior risk-adjusted returns uncorrelated to the market or economy, creating the conditions for attractive total shareholder returns. Since inception in 2009 our total shareholder return is 743%.

Companies

Our solutions allow businesses to attribute financial value to claims, increase working capital and raise capital efficiency.

Law firms

93 AmLaw 100 and 89 of the 100 largest global law firms, along with numerous respected litigation boutiques, have sought our capital and services to meet the growing and complex needs of their clients and facilitate growth for their firms.

Fund investors

We are the stewards of billions of dollars of endowment, pension fund, and other investor capital, which we safeguard and work to enhance.

Bondholders

Through judicious oversight of our asset portfolio and parsimonious use of external finance, we manage our liquidity and capital prudently, supporting predictable returns for our note holders and optimal credit ratings.

Employees

We recruit diversely, encourage intellect and develop professionals who succeed.

Society

Legal finance permits meritorious disputes to be resolved and monetised. Efficient resource attribution improves productivity, in turn increasing economic growth.

Our market position

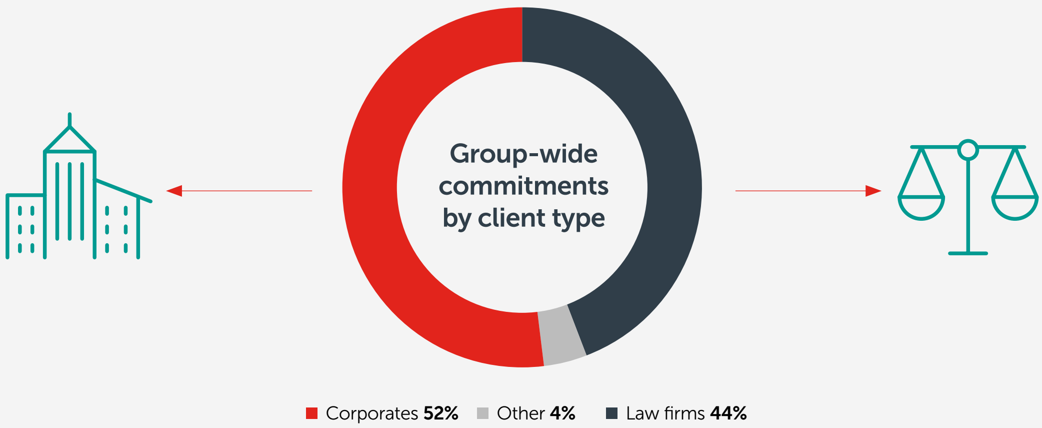
The legal industry is being transformed

We are the world's leading legal finance firm by size and have the most recognisable brand name in our industry. We aim to continue the evolution in our business as a specialty finance company and as an investment bank for law. We intend to maintain our leadership position given the industry's considerable barriers to entry and Burford's strong "moats" against competition and price commoditisation.

Burford is well-positioned to leverage and profit from the legal industry's transformation

- Increases in legal expenses are driving the need for financial alternatives
- Law firms generally do not have balance sheet capital to provide those alternatives
- Clients are rebelling against the billable hour model
- Corporates are recognising litigation as an asset
- Capital is entering the legal industry and transforming it into a capital user
- Burford is the best capitalised and most widely recognised player

Burford has built strong relationships and works with both corporates and law firms



Corporates
Though potential transactions often come to us through a law firm, our client is frequently the business that is pursuing the legal claim. As legal finance has become more widely known and as we've developed more direct relationships with corporate litigants, we are sourcing an increasing share of our corporate business directly, including from Fortune 100 and FTSE 100 clients.

Client retention rate
As of 31 December 2019, 70% of all single case users since our inception have returned to us with another inquiry or opportunity.

Law firms
93 of the 100 largest US law firms by revenue (the "AmLaw 100"), 89 of the 100 largest global law firms by revenue ("the Global 100") and numerous respected litigation boutiques have sought our capital.

Our unique advantages

There are considerable barriers to entry in this industry and Burford has developed strong "moats" against competition and price commoditisation.

1. Significant scale, capital and resources

- Institutional quality business
- Immediate access to substantial capital

2. Strong relationships and brand

- Strong relationships with law firms and corporate clients
- One-stop shopping approach provides added value for clients
- Most recognisable player in the market
- Enables us to scale existing strategies and launch new ones

3. A large and diversified portfolio with lower risk

- Most diverse product offering in the market
- New entrants will take many years to achieve comparable diversification—and operate at higher risk in the interim

4. Large, experienced team

- Arguably the most experienced team in the industry
- High-quality decision making and deep knowledge
- Burford's training and experience transfer is essential: Lawyers can't do this out of the box

5. Proprietary data and systems

- Unmatched dataset to enhance investment decisions
- Bespoke risk assessment and modelling

Our market position
continued

The market opportunity

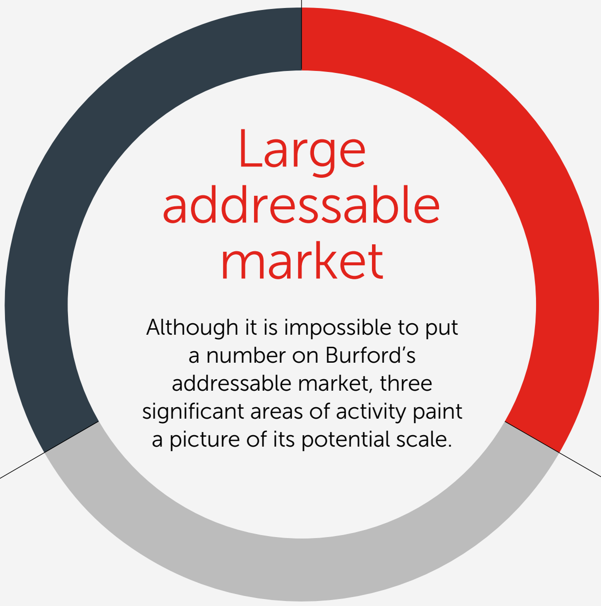
Despite the overall size and stability of the legal industry, certain trends have fuelled the growth of legal finance. In particular, increasing numbers of corporate clients prefer to pay law firms for success rather than on an hourly fee basis. Yet law firms operate as cash businesses with little balance sheet capacity and often need the steady stream of income that hourly fees provide. Legal finance has grown rapidly over the past decade to bridge this gap. In addition, corporate legal departments are under pressure to extract value from their litigation assets, and legal finance gives them a tool to do so.

Law firm fees

$825b
Total annual global legal fees[1]

$445b
Estimated annual US legal spend[2]

$118.3b
Estimated total annual revenue of the largest 200 law firms in the US[3]



Value of settlements, judgments and awards

$2t+
Total value of pending arbitration cases at the top 30 firms[4]

$14.74b
Total value of the largest 100 US verdicts in 2018[5]

Assets affected by legal and regulatory processes

4x
Median spending among large companies on IP litigation in 2019 more than 4 times what it was in 2015[6]

160
M&A shareholder cases were filed in 2018, compared to 115 in 2017[7]

$19b
Total recoveries in antitrust class actions from 2013–2018[8]

1. GrandView Research, "Legal Services 2019-2025," published September 2019.
2. Thomson Reuters Legal Executive Institute, "2019 Report on the State of the Legal Market".
3. Burford analysis of 2019 AmLaw 100 and AmLaw 200 rankings.
4. Global Arbitration Review, "GAR 30: Ranking the World's Leading International Arbitration Practices," April 5, 2019.
5. ALM VerdictSearch, "The Top 100 Verdicts of 2018".
6. Morrison & Foerster research, "Benchmarking IP Litigation 2019".
7. Cornerstone Research, "Securities Class Action Filings 2019 Year in Review".
8. University of San Francisco Law research paper, "2018 Antitrust Report: Class Action Filings in Federal Court".

Burford's business

Legal finance explained

With legal finance, a litigant or law firm uses the asset value of commercial litigation or arbitration to secure capital, either to finance the litigation or for general business purposes.

Defining legal finance

In its most basic form, legal finance is provided on a single-case basis to pay for the legal fees and costs associated with commercial litigation or arbitration in exchange for a portion of the ultimate award or settlement.

Often, this approach fulfils the needs of companies that can't or don't want to pay their lawyers by the hour, or of law firms that wish to offer clients flexible terms but can't or don't want to assume the entire contingent risk of doing so. Rather than pressuring their law firm of choice to take on this cost and risk or being forced to work with a different firm, companies can leverage legal finance as a hybrid or "synthetic contingency" that bridges the gap between their needs and those of their law firms. And rather than having to forgo service to a client, law firms can use legal finance to manage risk and generate new business. Increasingly, however, legal finance is used in ways resembling specialty corporate finance.

As a US law firm partner put it, "A broad range of corporate plaintiffs from small to large Fortune 50 companies use legal finance for a variety of reasons, as do law firms." Companies and law firms use legal finance to move cost and risk off balance sheets, free up capital for other business purposes and improve risk management while adding budgetary certainty. Clients also make use of portfolio-based finance, where multiple matters (both plaintiff and defence matters) are combined in a single cross-collateralised financing arrangement.

How legal finance works

A litigant or law firm seeking financing will engage with a finance provider such as Burford that will consider commercial legal matters as financeable assets.

The finance provider will use the value of those legal assets to craft financial solutions, whether financing a single case, portfolios of multiple cases or structures that are bespoke to a company or law firm.

The capital provided may be used to pay fees and expenses associated with a case, or for entirely different business purposes.

Although terms and structures vary, Burford's capital is almost always non-recourse—meaning that we do not earn a return and risk losing capital if the litigation is unsuccessful.

Financing can be provided at any stage of proceedings—from before filing to appeal, for legal receivables awaiting payment and for matters in which a judgment requires enforcement.

Our products and services

1. Legal finance

- Core litigation finance
- Legal risk management
- Asset recovery

2. Complex strategies

3. Post-settlement

4. Asset management

1. Legal finance

Core litigation finance

Our litigation finance business provides capital and expertise to many of the world's largest law firms and their clients. We finance commercial high-value single litigation matters or portfolios of matters at any stage of the litigation process, from before inception to after a final judgment has been entered. In some instances, we provide financing to a law firm that has agreed to take on a case on a contingent fee or alternative fee basis. In other situations, we provide financing to monetise the value of a claim by offering a client an upfront cash payment for a claim with significant potential value. We in turn receive our funded cost and return from the ultimate settlement or judgment on the claim.

We also provide financing to law firms and corporate clients for portfolios of cases. In these instances, we provide financing for a group of cases with the same counterparty on terms that tend to recognise the lower risk of loss generally associated with multi-case portfolios. We underwrite each case in these portfolios. Typically, the cases in the portfolio are cross-collateralised, such that we can recover losses in one case from successes in another. This structure reduces our risk and allows us to offer more attractive terms while still achieving a similar risk-adjusted return as with single cases. Portfolios allow us to originate larger volumes of assets with greater efficiency.

For corporate clients, legal finance allows them to hire law firms that will only agree to work on an hourly fee basis. Further, our financing allows corporate clients to avoid incurring legal fees as an operating expense, thereby improving their net income metrics. Monetisations allow corporate clients to obtain value and cash for an asset that otherwise would not appear in their financial statements. Burford works with all sizes of businesses, including Fortune 100 and FTSE 100 companies, to monetise their litigation positions to unlock the value of pending litigation and unenforced judgments and to enhance corporate balance sheets.

For law firm clients, our financing allows them to obtain cash to operate their businesses and pay their lawyers even when they have taken a case on a contingent fee basis. It also allows law firms that prefer to operate on an hourly basis to compete for contingency fee work.

Origination

When our dedicated origination function generates a new lead through business development outreach, that lead has a four times greater likelihood of progressing through our initial intake process and into our pipeline (where we consider matters in greater depth) than a lead that comes in the door unsolicited. We continue to seek a higher rate of closed financings relative to inquiries by educating the market so that we can continue to make our process more efficient; we improved our closed investment rate as a percentage of inquiries from 5.9% in 2018 to 7.0% in 2019.

Although a primary focus for the origination team continues to be law firms and lawyers (the traditional source of most of our opportunities), we have also been increasingly directly targeting potential corporate clients, resulting in the procurement of several large financing opportunities.

Underwriting

Before we make a commitment, we conduct extensive in-house diligence. All financing agreements must be approved by one of Burford's dedicated commitment committees which consider legal merits, risks, reasonably recoverable damages, proposed budget, proposed terms, credit issues and enforceability.

The manner in which we provide funding on a commitment varies widely. Some financing agreements require us to provide funding over a period of time, whereas other agreements require us to fund the total commitment up front. The terms of our agreements also vary. In some cases, we have broad discretion as to each incremental funding, and in others, we have little discretion and would suffer adverse consequences were we to fail to provide incremental funding.

Pricing and returns

The structure of each legal finance asset varies and our returns can have several components, including:

- Return of our investment
- Time-based return such as an interest rate or multiple
- Percentage of the ultimate proceeds received

In a basic single-case funding transaction, we pay some or all of the costs of a claimant bringing a litigation matter. In such transactions, we typically use a structure that provides for our capital back plus a time-based return followed by an entitlement to some portion of the net recovery. As a simple example, we might structure our return so that upon conclusion of a successful claim, we would receive our funded cost back plus two times our cost plus 20% of net proceeds from the claim. Deal terms are bespoke and not every investment will have all of these components, and some will have other structures.

We also engage in transactions in which the risk of loss can be reduced, typically by using a portfolio or multi-case structure, but occasionally through a variety of other structures such as interest-bearing recourse debt (sometimes with a premium based on net recoveries) or the purchase of equity or debt assets that underlie the relevant litigation or arbitration claims.

Burford's commitment process

The graphic below illustrates our process and shows the volume of potential matters at each stage. One of our goals is to increase the percentage of closed commitments relative to inbound inquiries, not by lowering our standards but by continuing to improve the quality of inbound matters through education and marketing. This approach may result in fewer but higher quality inquiries, as happened in 2019.

Inbound inquiries: screening
Number of inquiries generated from marketing and dedicated origination that run through our initial screening process, filtering potential assets into our pipeline

1,414
1,470

Pipeline process
Number of potential assets assigned to underwriters, discussed among the global team and progressed into more significant diligence. Burford combines proprietary data and deep experience in its in-house diligence process

570
456

Commitment committees
Number of potential assets reviewed at commitment committee. Burford's commitment committees have deep specialist knowledge and significant litigation experience

170
168

99
87

Closed legal finance assets

Note: Financing process figures are from 2019. Smaller figures are from 2018.

We have built proprietary analytical tools that enhance our ability to analyse and price any legal finance matter. Using the significant data set we have developed over 10 years of operation as well as the views of our experienced underwriters, we employ a bespoke asset return model to calculate the likelihood of loss and probability-weighted risk-adjusted returns for each asset that goes to the commitment committees.

We price our capital commensurate with the risks we identify and quantify. Broadly, as we underwrite new legal finance assets, we are targeting risk-adjusted returns consistent with the historic performance of our concluded portfolio. Importantly, in structuring our returns, we strive to ensure that, in a wide range of outcomes, the deal structure will also deliver appropriate economics for the claimant and for counsel in order that their interests align with ours.

Asset monitoring

We have a robust internal portfolio management process to optimise legal finance assets. Each of our matters has a Burford professional assigned to monitor the underlying case. We generally schedule regular calls with clients to discuss case developments. Case updates are reported monthly to senior management. We also conduct a quarterly risk review and provide an in-depth quarterly report on our entire portfolio to senior management and our Board of Directors. We conduct an extensive semi-annual review of every legal finance asset for valuation purposes, which includes our external auditors. In addition to reports from counsel, we proactively keep ourselves informed of case developments, including receiving docket alerts and reviewing court documents filed.

Our matters resolve in various ways consistent with the outcomes in the litigation process generally. Many of our matters reach a negotiated resolution—a settlement—between the litigants, either before or after going to trial. Others do not resolve amicably and go all the way through the formal dispute resolution process, including trial and appeal(s). The duration of those outcomes varies widely and depends on the complexity of the matter and the schedule of the relevant tribunal.

In many instances, our clients receive full cash payment for the entitlement from matters at the time of their conclusion. However, there are some instances where payments are delayed by agreement (for example, when a settlement is paid in instalments over time) or where the parties agree on an entitlement that includes non-cash value that must be monetised over time. Because our client is giving up some valuable leverage through the pendency of the litigation process by agreeing to a resolution, clients tend not to do so unless payment is quite certain, and it is very rare in our experience for there to be a default in connection with such payments. There are, of course, some instances where defendants lose and refuse to pay, in which case enforcement efforts may be needed.

Once there is no longer any litigation risk on a matter, such as when there has been an agreed (but unpaid) settlement, the matter becomes a due from settlement receivable. At that point, we record the estimated value to be received (discounted appropriately) as income, and thereafter recognise separately any further increments in value caused by the passage of time, such as from interest running on the entitlement. Due from settlement receivables for legal finance assets typically are resolved into cash during a financial reporting period, though some can take varying lengths of time before generating cash. In a small number of cases (less than 5% of realisations by value to date), we have received an asset other than cash (such as stock, a mortgage or a note) for our entitlement upon conclusion of a case. In these cases, we estimate the value of the asset for purposes of recording realisation income, and then record gains or losses on the asset over time until it is resolved into cash. At 31 December 2019, we had less than $30,000 of this kind of asset on our books.

Privilege and confidentiality

In order to make our underwriting decisions and conduct our ongoing asset monitoring, we receive from our clients confidential and legally privileged information (what in the US is called "attorney work product"). That sensitive information can lose its protection and become accessible to a litigation opponent if it is used publicly (a concept called "waiver"), which could have catastrophic consequences for the litigant. Burford is entitled to receive such information but is under a strict obligation to protect it. Among other things, this obligation requires us to tightly restrict access to the information itself and conclusions drawn from it. As an example, the release of individual valuations of ongoing legal finance assets may create a risk of waiver over sensitive information since a court order or other objective event that might give rise to an asset valuation can only be put in context with the use of privileged information. Burford thus does not as a matter of policy release asset valuations of ongoing matters, including partially concluded cases, and is similarly unable to provide other asset-specific information about its portfolio unless that information becomes publicly available through other means.

Legal risk management

In many legal jurisdictions, the loser in a litigation must pay the winner's legal expenses, creating adverse cost risk. As a result, there is a market for insurance against that adverse cost risk.

In 2011, we acquired a leading provider of adverse cost insurance in the UK. Following certain unfavourable changes in regulations that we anticipated at the time of the acquisition, we stopped issuing new insurance policies through this legacy business at the end of 2016, and it has been in run off since then. This business wrote about 57,000 insurance policies while open to new business. Of those matters, 79% resolved favourably, 21% suffered losses and fewer than 200 cases remain unresolved. Our operating profits from this business have exceeded $80 million. We have only 11 cases from this legacy business remaining in the £250,000+ category.

Adverse legal cost risk remains a key issue, however, especially in the kind of larger complex litigation that is the focus of our core business. For example, it is difficult to find a path forward on English litigation claims once the adverse cost exposure approaches £20 million, as there is limited capacity in the insurance market for such claims. Moreover, adverse cost protection is often a prerequisite in large cases as individual claimants are typically unwilling to take on the kind of joint-and-several adverse cost exposure that can exist in such cases.

Given our historical experience as an insurance provider and our expertise in litigation risk assessment, we re-entered the adverse cost insurance business in 2018 with Burford Worldwide Insurance ("BWIL"), our wholly owned Guernsey insurer. BWIL offers adverse cost insurance globally in litigation and arbitration cases. BWIL is structured so that it takes on 20% of the insurance risk while entering into contracts with a set of leading reinsurers to take the remaining risk.

Currently, BWIL only writes coverage for matters which we are financing as part of our core litigation finance business. We view this business as enabling our more profitable litigation finance business, not as a material standalone business in its own right.

Asset recovery

Once a matter has been litigated through to a final judgment, and all appeals have been exhausted, that judgment is enforceable as a debt obligation of the judgment debtor. While many litigants do pay their judgments when they ultimately lose a matter, some do not, and further effort is needed to collect the judgment debt.

Our asset recovery team provides expert assistance to lawyers and clients on global asset location and enforcement, including providing legal expertise, critical research and investigative strategies as part of a recovery effort. We use global legal tactics and strategies to obtain information and ultimately to seize assets to satisfy judgments.

Asset recovery offers two additional benefits beyond its financial contribution. First, it is an additional service to offer to our clients. Second, our asset recovery team can provide valuable insight into judgment collectability as part of our legal finance underwriting process, as well as critical assistance in enforcing judgments in our own legal finance portfolio should the need arise, although it has done so only rarely.

Historically, we provided asset recovery services on a fee-for-services basis. However, over the past several years, we have been adding a capital provision model such that the bulk of our business is now done on risk in exchange for a share of whatever recovery is generated.

This capital provision approach gives rise to a legal finance asset for our balance sheet. We underwrite, structure and price these asset recovery assets in a similar manner to our other legal finance assets. As a consequence, we anticipate that these assets will have risk-adjusted returns similar to the rest of our portfolio and should ultimately be more profitable than the fee-for-services approach.

Recently, two international banks have contracted with our asset recovery business to outsource on a capital provision basis their asset recovery work arising out of non-performing loans and other similar assets. These arrangements are attractive to us because we can structure desirable economics based on recoveries across the bank's portfolio as opposed to a single case basis. In 2016, in order to enhance our ability to serve asset recovery clients, we launched Burford Law, a standalone law firm that works closely alongside our asset recovery team to provide a flexible, seamless and cost-effective service to judgment, award, insolvency and other creditors. In addition to undertaking legal work in England and Wales, Burford Law also provides a coordinating or supportive role in multi-jurisdictional projects, usually working alongside a number of local law firms.

2. Complex strategies

In our complex strategies business, we acquire assets that we believe are mispriced and where value can be realised through recourse to litigation and regulatory processes. We can operate across the spectrum of legal assets with a wide variety of duration, risk and return characteristics in pursuit of desirable risk-adjusted returns. In most cases, there is underlying asset value to support the position, in addition to potential value from legal or regulatory proceedings.

Unlike in our legal finance business, where we are financing a client who retains decision-making authority in the litigation, in complex strategies matters, Burford is the owner of the asset subject to the claim, and therefore retains that decision-making authority. Otherwise, much of the two approaches is identical, including reliance on our legal and financial diligence process and our post-financing management process. With both types of assets, we view the outcome of litigation and regulatory processes as the key driver of returns. Complex strategies assets generally permit us to deploy more capital per situation and to have a more predictable level of total capital deployed than would be the case with our core litigation finance assets also.

There are also significant risk management benefits with complex strategies investments because, if we lose the litigation, we still own the underlying asset, as opposed to the core litigation finance business where a loss of the case will generally cause us to lose our entire funded cost. Most complex strategies assets are much lower risk than the corresponding client asset financing asset but still deliver attractive returns.

In recognition of the impact of the underlying asset value on complex strategies assets, we have a separate complex strategies commitment committee, which includes members with significant financial market expertise and members with legal backgrounds.

We began our complex strategies activities in 2017 and these are undertaken largely through a consolidated fund, the Strategic Value Fund, in which Burford has made a substantial general partner investment alongside the capital provided by the fund's limited partners.

An example of our complex strategies assets is in merger appraisal situations. In these, we typically take largely offsetting long and short equity securities positions typically in conjunction with merger transactions where we pursue judicial appraisal of the fair value of the acquired company's share price to determine whether an adequate control premium was offered. To illustrate better how this strategy works, consider that many US companies are incorporated in Delaware, which has a statutory provision that permits shareholders of Delaware companies to challenge in court the price at which a company proposes to enter into a merger transaction. By holding shares in the targeted company prior to the transaction closing, Burford becomes entitled to pursue that Delaware litigation directly. In such an example, Burford typically isolates the litigation risk by hedging the underlying equity position. In many jurisdictions, including Delaware, acquirors are required to pay a statutory interest rate on funds owed to a shareholder pursuing an appraisal claim while that claim is pending. As a consequence, acquirors very often prepay the value of the acquisition price even while our appraisal claim is ongoing.

3. Post-settlement finance

In addition to our legal finance business, we also offer clients the ability to monetise post-settlement and other legal receivables. There can be significant delays between the point at which parties to a litigation matter agree upon a settlement and the finalisation of and payment under the settlement. Often, those delays are due to the operation of the judicial process, which may require notice periods and fairness hearings before approval of settlements. In the interim period, both law firms awaiting payment of their fees and clients eager for cash to flow may well find it attractive to secure funding against those expected receipts.

In addition, law firms are often looking for funding at various points, particularly over their fiscal year end when cash is needed to pay partners and employees. In those situations, we offer the ability to monetise or purchase a law firm's receivables, which typically are high quality.

In both types of situations, as well as others where a lower-risk but legal-related financing opportunity arises, we are able to provide capital at pricing levels considerably lower than traditional litigation finance. We provide this type of finance through one of our managed funds, the Burford Alternative Income Fund, which targets mid-teens gross returns. Though we manage this fund and receive management and performance fees from it, Burford's balance sheet is not an investor in it.

4. Asset management*

We operate eight private funds as an investment adviser registered with and regulated by the SEC. The discussion of our funds ignores sidecars unless specifically included and we collapse fund structures into overall strategies, ignoring, for example, onshore and offshore separations and parallel funds. As of 31 December 2019, our total assets under management were $2.9 billion. We believe that we are the largest investment manager focused on the legal finance sector by a considerable margin.

We view our funds business as an important addition to our balance sheet business. Having access to private fund capital has improved our ability to pursue financing opportunities and has also permitted us to engage in larger transactions without seeking external partners

Under our internal policy, we allocate certain portions of every new commitment to our own balance sheet and our various funds.

- **Legal finance:**
  - **Core litigation finance:** We allocate 25% of each new matter to Burford Opportunity Fund ("BOF"), our flagship litigation finance fund; 50% to our sovereign wealth fund ("SWF") arrangement, and 25% to our balance sheet. The structure of our SWF arrangement is such that the SWF contributes two-thirds of the capital and we contribute one-third, with the result that the balance sheet is effectively providing 42% of all new advances. Burford Opportunity Fund-C ("BOF-C") is the fund through which the SWF contributes its portion of the capital. Therefore, in presenting BOF-C data throughout this report, we are presenting data on just the SWF's portion of the arrangement; Burford's portion is included in our balance sheet data. In that context, BOF-C is allocated 33% of each new eligible asset. Also note that BOF-C does not, by pre-agreement, participate in certain specified types of litigation finance assets, in which case BOF-C's allocation is attributed between BOF and our balance sheet. Once BOF is fully committed, which is expected to occur during 2020, the SWF has agreed that BOF-C's share of eligible commitments will increase from 33% today (two-thirds of 50%) to 50% while BOF or its successor fund are unavailable to make further commitments. In that circumstance, the balance sheet's share of eligible commitments will increase from 42% to 50%.
  - **Asset recovery and legal risk management:** We allocate 100% of our asset recovery and legal risk management matters to our balance sheet.
- **Post-settlement:** We allocate 100% of our post-settlement assets to our post-settlement fund Burford Alternative Income Fund ("BAIF")
- **Complex strategies:** We allocate 100% of certain specified assets to the Strategic Value Fund; other complex strategy assets that do not meet the mandate of the Strategic Value Fund are allocated to our balance sheet

We generally conduct the sponsorship and management of our funds through limited partnerships. Each fund that is a limited partnership has a Burford-owned general partner that is responsible for the management and operation of the fund's affairs and makes all policy and asset selection decisions relating to the conduct of the fund's business. Except as required by law, the limited partners of such funds take no part in the conduct or control of the business of such funds, have no right or authority to act for or bind such funds and have no influence over the voting or disposition of the securities or other assets held by such funds. Each fund engages an investment adviser. Burford Capital Investment Management LLC serves as the investment adviser for all our funds and is registered under the Investment Advisers Act of 1940, as amended.

Burford provides a revolving credit facility from its balance sheet to two of its funds (Strategic Value and BOF). Each of the funds can draw on this facility at Burford's discretion in order to fund assets in which it is investing while the fund completes a call of capital from its limited partners, at which point the fund repays the borrowed amount. The purpose of this facility is to allow the funds to consolidate their limited partner capital calls into larger, less frequent calls, which limited partners generally prefer. While balances under that revolving credit facility sometimes rise at period end given our high level of activity at such times, draws under the revolving credit facility tend to be modest in size and short in duration, and Burford retains complete discretion over whether to allow use of the facility at any time.

* Burford Capital Investment Management LLC, which acts as the fund manager, is registered as an investment adviser with the US Securities and Exchange Commission. The information provided herein describes multiple investment vehicles focused on multiple investment strategies. Nothing herein should be construed as a solicitation to offer investment advice or services. Information about investments in Burford Capital Investment Management LLC-managed funds is available only in the form of private placement memoranda and/or other offering documents. The information contained herein does not purport to present a complete picture of the actual or anticipated financial position, activities, results, actions and/or plans of any fund or account managed by Burford. Past performance is not indicative of future results.

The Equity Project

An economic incentive to close the gender gap in law

In October 2018, Burford launched The Equity Project, a ground-breaking initiative to commit a $50 million capital pool for financing commercial litigation and arbitration led by women. The Equity Project seeks to address the significant and stubbornly persistent gender gap, which is particularly acute at the senior-most levels of the world's largest law firms.

According to a 2019 study by the American Bar Association and American Lawyer Media Intelligence, in the US, women accounted for between 45% and 50% of law school graduating classes but only 20% of law firm equity partners in 2018, indicating a high attrition rate for women lawyers. The report's co-author and Equity Project Champion Roberta Liebenberg told The American Lawyer that among the many reasons women leave Big Law is the challenge of building books of business and retaining origination credit in a historically male dominated industry.

"If women are not getting the business development opportunities, they aren't getting the business. If they aren't getting the business, they aren't getting the origination credit which affects compensation," she said.

Similar statistics and equally daunting challenges exist in the UK, Europe and across the globe.

The Equity Project is designed to provide a concrete tool for women to generate their own books of business, which in turn will lead to career advancement opportunities. To qualify for funding, matters must meet Burford's standard investment criteria and have a woman litigator as first chair; a woman serving as plaintiffs' lead counsel or chairing the plaintiffs' steering committee; a women owned law firm representing the client; a woman litigator earning origination credit; or a woman partner serving as the client relationship manager.

As of 31 December 2019, Burford has received 55 qualifying requests for Equity Project funding and committed $24 million of the $50 million pool, including two matters with all women teams. The matters span the globe and cover a range of practice areas, including antitrust/competition, investor treaty claims and general commercial claims.

While the volume of women led matters still lags what Burford would like to see, many women lawyers have told us that the mere existence of capital available through The Equity Project has served to provide a lever that changes the conversation inside firms and with clients.

Throughout 2019, The Equity Project was deployed as a platform to bring added awareness to the challenges that women face in advancing to senior levels in law firms and the impact that having greater control over their own books of business can have in propelling their careers.

Working with our 22 Equity Project Champions—lawyers and other business leaders from leading law firms and organisations in six countries on three continents who have joined with Burford to promote this initiative—we held events in the US, the UK, France and Australia to discuss the gender gap and draw attention to the financing available to advance meritorious litigation and arbitration cases led by women.

Burford's culture and its success reflect the value it places on having women at the senior most levels of its business. The Equity Project is an innovative solution that reflects those same values; we're challenging law firms to elevate women not only because it's the right thing to do but because it's a smart way to grow the bottom line.

More information about The Equity Project, and the list of Champions, can be found on Burford's website at burfordcapital.com.

2019 Awards

FT INNOVATIVE LAWYERS
"Stand out" award for Diversity and Inclusion, FT Innovative Lawyers North America

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Inaugural winner of the **ERA Pledge Award**, 9th Annual Global Arbitration Review (GAR) awards

New York Law Journal
Aviva Will named a **"Trailblazer"** for her work on The Equity Project, New York Law Journal

Aviva Will named a **"Distinguished Leader"** for her work on The Equity Project, New York Law Journal

"The Equity Project is designed to provide a concrete tool for women to generate their own books of business, which in turn will lead to career advancement opportunities."

Definitions

New segments and key definitions

Definitions related to Burford's activities

Throughout this report, we will refer to our activities as follows:

- **Legal finance**
  includes our traditional core litigation finance activities in which we are providing clients with financing against the future value of legal claims. It also encompasses our asset recovery and legal risk management activities, which often are provided to the same clients.
- **Complex strategies**
  encompasses our activities providing capital as a principal in legal-related assets, often securities, loans and other financial assets where a significant portion of the expected return arises from the outcome of legal or regulatory activity. Most of our complex strategies activities over the past two years have been conducted through our Strategic Value Fund.
- **Post-settlement finance**
  includes our financing of legal-related assets in situations where litigation has been resolved, such as financing of settlements and law firm receivables.
- **Asset management**
  includes our activities administering the funds we manage for third-party investors.

Our funding sources, however, are not organised based on these services but by expected return, risk and life of the assets we originate. We use our balance sheet and certain dedicated funds to provide capital for higher risk, higher return, longer-lived assets such as those created in our legal finance business. We typically use dedicated funds, in which our balance sheet is an investor, to provide capital for the kind of lower risk, lower return, shorter-lived assets that typify complex strategies activities. And we use still other dedicated funds (without balance sheet investment) for low risk, low return, very short-lived assets, such as post-settlement and law firm receivables financing.

To better present our business in line with this stratification of asset types, we have re-aligned our operating segment presentation. We now provide our financing and other services through three principal operating segments:

Capital provision, which includes both

- *Direct,* where we provide our capital directly to clients or as principal in our legal finance activities
- *Indirect,* where we provide our capital by investing through funds that we manage

Asset management, which includes our activities in managing our third-party funds and resulting fee streams.

Services and other corporate, which includes fees generated for services provided by our asset recovery and legal risk management (including insurance) activities as well as corporate financial activity.

This re-aligned segment presentation compares with prior years as follows:

Capital provision (previously our Investments segment) includes all of our litigation finance assets held on Burford's balance sheet. We have eliminated the New Initiatives segment, which previously included only our asset recovery activities. We have combined the financing assets generated from our asset recovery business into our capital provision segment as their risk/return profile is very similar. The fee-for-service income from our asset recovery business will now be included in services and other corporate.

In order to provide greater clarity on our capital provision assets, we are sub-dividing that segment for purposes of reporting a number of financial metrics into:

- **Direct**
  which includes all our legal finance assets (including those generated by asset recovery and legal risk management activities) that we have made directly (i.e., not through participation in a fund) from our balance sheet. We also include direct (not through a fund) complex strategies assets in this category. Broadly, when we originate all of these types of assets, we are targeting risk-adjusted IRRs in the mid-20s to mid-30s with an expected weighted average life of from two to five years, though we can on occasion accept a lower return on a shorter-lived, more liquid or less risky asset.
- **Indirect**
  which includes our balance sheet's participations in one of our funds. Currently, this category is comprised entirely of our position in the Burford Strategic Value Fund. At present, with this type of asset, we are targeting risk-adjusted IRRs in the mid-to-high teens with an expected weighted average life of one year or less.

We now present data separately on these two sub-divided categories in our financials when providing detail on realisations, deployments and income, among other items. For each of these two categories, we also provide separate asset data tables with a complete list of every investment in each category (available on our website) and separate return metrics (IRR, ROIC, weighted average life).

Asset management
includes similar activities as our previous investment management segment.

Services and other corporate
now includes not only our general corporate activity but also our fee-for-service asset recovery activity and insurance, both of which are too small to justify standalone segment presentation.

A major objective in revising our financial presentation was to provide greater transparency on how different information in the financials ties together. To that end, we've provided greater detail in some of the footnotes on the flows in and out of our capital provision assets as well as the related components of income, with direct and indirect broken out separately. We're also providing in more detailed schedules the "bridge" between our capital provision asset flows, our cash flow statements and the data in our complete asset portfolio table is available on our website.

Definitions related to Burford's business structure

As many investors are aware, IFRS requires us to present financials that consolidate some of the limited partner interests in funds we manage as well as assets held by our balance sheet where we have a partner or minority investor. We continue to strive to provide clarity on Burford as a stand-alone business by furnishing information that eliminates the effect of this consolidation. To that end, throughout this report, we will refer to our funding configuration as follows:

- **Burford-only**
  Burford standalone, Burford-only, Burford balance sheet only, or "balance sheet" refers to assets, liabilities and activities that pertain only to Burford itself, excluding any third-party interests and the portions of jointly owned entities owned by others. Burford balance sheet only largely corresponds to the view of our business presented in the investment in consolidated entities footnote in our financials.
- **Consolidated**
  refers to assets, liabilities and activities that include those third-party interests, partially owned subsidiaries and special purpose vehicles that we are required to consolidate under IFRS accounting. This presentation conforms to the presentation of Burford on a consolidated basis in our financials. The major entities consolidated into Burford include the Strategic Value Fund, BOF-C and several entities in which Burford holds investments where there is also a third-party partner in or owner of those entities. Note that in our financial statements, our consolidated presentation is referred to as Group.
- **Group-wide**
  refers to Burford and its managed funds taken together, including those portions of the funds owned by third parties and including funds that are not consolidated into Burford's consolidated financials. In addition to the consolidated funds, Group-wide includes the Partners funds, Burford Opportunity Fund and Burford Alternative Income Fund and its predecessor.

Definitions related to calculating returns

Alternative performance measures:
In managing the business, we primarily focus on cash returns, without reference to IFRS or fair value accounting. In other words, this is an independent way of looking at our business; it does not build on our IFRS reporting but stands entirely separate from it unless we explicitly refer to IFRS-based data. These alternative performance measures are explained further below.

In discussing cash returns, we refer to several metrics that we have applied consistently for many years in our financial disclosure:

- **Concluded assets:**
  A legal finance asset is "concluded" for Burford's purposes when there is no longer any litigation risk remaining. We use the term to encompass: (i) entirely concluded legal finance assets where Burford has received all proceeds to which it is entitled (net of any entirely concluded losses); (ii) the portion of legal finance assets where Burford has received some proceeds (for example, from a settlement with one party in a multi-party case) but where the case is continuing with the possibility of receiving additional proceeds; and (iii) legal finance assets where the underlying litigation has been resolved and there is a promise to pay proceeds in the future (for example, in a settlement that is to be paid over time) and there is no longer any litigation risk involved in the asset.

  In most instances, concluded investments both conclude and we receive all cash proceeds associated with the investment in the same period. Sometimes, non-cash assets are received or cash will be paid over time. In those instances, a balance sheet due from settlement receivable is created, in which event we estimate the future date we expect to receive cash for purposes of calculating returns such as IRR and WAL. When proceeds are ultimately received, the returns on the investment data table are adjusted to reflect actual proceeds and timing.

  For purposes of calculating returns, we must also consider how to allocate the costs associated with an asset in the event of a partial conclusion. Our approach to cost allocation depends on the type of asset:

  - When single case assets have partial resolutions along the way without the entire case being resolved, most commonly because one defendant settles and the remaining defendant(s) continue to litigate, we report the partial resolution when agreed as a partial realisation, and we allocate a portion of the investment to the partial resolution depending on the significance of the settling defendant to the overall claim.
  - In portfolio assets when a case (or part of a case) resolves or generates cash, we report the partial resolution when agreed as a partial realisation, and we allocate a portion of the investment to the resolution. That allocation depends on the structure of the individual portfolio arrangement and the significance of the resolution to the overall portfolio, but it is in essence a method that mimics the way an investor would allocate cost basis across a portfolio of security purchases.

- **Internal rate of return (IRR):**
IRR is a discount rate that makes the net present value of a series of cash flows equal to zero and is expressed as a percentage figure. Burford computes IRR on concluded (including partially concluded) legal finance assets by treating that entire portfolio (or, when noted, a subset thereof) as one undifferentiated pool of capital and measuring inflows and outflows from that pool, allocating investment cost appropriately. Burford's IRRs do not include unrealised gains.

  An alternative approach to computing IRRs that is also used in our industry is to calculate IRRs on individual investment outcomes and then to express portfolio-wide IRRs on a weighted average (or even simple average) basis. Were we to use this alternative method our IRRs would be considerably higher (by orders of magnitude) due to the greater impact of some very high IRR resolutions from successful assets with short lives. For example, we have one asset where IRR was 1,497,414%, which alone would skew our returns on that alternative calculation basis. Investors comparing Burford's performance to its competitors should ensure that they are comparing returns on an apples-to-apples basis.

- **Return on invested capital (ROIC):**
ROIC is a measure of financial performance calculated by comparing the absolute amount of realisations from a concluded asset relative to the amount of expenditure incurred in funding that asset, expressed as a percentage figure. ROIC is a measure of our ability to generate absolute returns on our assets. Similar to our IRR calculations, when we compute ROICs on the entire portfolio (or a subset of it), we do so by taking the aggregate realisations relative to the aggregate costs incurred, rather than a weighted average of the individual asset ROICs. Some of our competitors express their returns on a MOIC (multiple of invested capital) instead of an ROIC basis. MOICs include the return of capital and thus are 1x higher than ROICs. In other words, a 70% ROIC is the same as a 1.7x MOIC.

- **Weighted average life (WAL):**
The WAL of one of our legal finance assets represents the average length of time until we receive a cash realisation from that asset weighted by the amount of that realisation. WAL is, simply, how long our asset will be outstanding on average.

  We previously referred to "duration" of our legal finance assets to give an indication of their tenor. Duration and WAL are often used somewhat interchangeably in finance, but technically we are analysing WAL (where time is weighted by cash flows) rather than duration (where time is weighted by the present value of those cash flows)

Unlike our IRR and ROIC calculations, using the aggregate cash flows from the portfolio in making our portfolio level computations will not readily work with WAL computations because our funded assets are originated in different timeframes. Instead, in calculating a portfolio WAL, we compute a weighted average of the individual asset WALs. Historically, in doing this, we weighted the individual WALs (durations) by the costs deployed on the asset. In this report, we are also providing portfolio WAL data weighted by the realisations on the individual assets.

In addition to these measures of cash returns and asset life, we also refer to two other alternative performance measures in this report:

- **Assets under management (AUM):**
Consistent with its status as a registered investment advisor with the SEC, Burford reports publicly on its asset management business on the basis of regulatory assets under management. For the benefit of non-US investors, the SEC's definition of AUM may well differ from that used by European asset managers. AUM, as we report it, means the fair value of the capital invested in funds and individual capital vehicles plus the capital that we are entitled to call from investors in those funds and vehicles pursuant to the terms of their capital commitments to those funds and vehicles. Our AUM will fluctuate as we raise new funds and other investment vehicles, and as existing funds and vehicles mature and no longer represent sources of callable capital in the future; there is no direct translation from AUM to asset management income.

- **Cash Receipts:**
Cash receipts provides a measure of the cash that Burford's business generates during a given year. In particular, cash receipts represents the cash generated from operations, including cash proceeds from realised assets, before any deployments into funding existing or new assets.

  Cash receipts is calculated as the cash proceeds from our capital provision assets, including cash proceeds from related hedging assets, plus cash income from asset management fees, services and other income. A more specific analysis of cash receipts can be found on pages 32 to 34.

New content this year

As noted, we have enhanced our annual report by adding additional areas of disclosure. Among these are:

Business

- Detailed description of our products and services on pages 16 to 21

Organisation

- Corporate structure chart on page 28
- Senior management information on pages 79 to 80
- Compensation and related information on pages 81 to 82

Portfolio

- Additional metrics to measure the tenor of our portfolio on pages 39 to 41
- More portfolio return sensitivities on pages 41 to 42
- Largest portfolio related exposures on page 47
- Portfolio realised loss statistics on page 55

Commitments, deployments and realisations

- Deployment histories by vintage on page 37
- Realisation histories by vintage on page 40
- Additional data and analyses of unfunded commitments on pages 36 to 37 and in Note 30 of the financial statements

Financials

- Portfolio movements (additions and realisations) and income elements separated into capital provision-direct and indirect categories on page 57 and in Note 6 of the financial statements
- Reconciliation of cash receipts and other cash movements on a Burford-only basis to the financial statements on page 34
- Break out of third-party interests that are included in our consolidated financials on pages 90 to 93
- Additional information on resolution of due from settlement receivables on pages 58 to 59 and separation of due from settlement activity into capital provision-direct and indirect categories
- Additional explanation of balance sheet and income statement activity related to capital provision-indirect assets, including details on hedging-related flows on pages 49 to 50 and in Note 9 of the financial statements

Fair value

- Components of net realised gain both for current year and since inception on page 62
- Discussion of fair value attributed to YPF-related assets and an analysis of hypothetical outcomes on those assets on pages 62 to 65

Terminology

- Glossary of terms on page 154 to 158
- Definitions on pages 24 to 26

Corporate structure

A global footprint

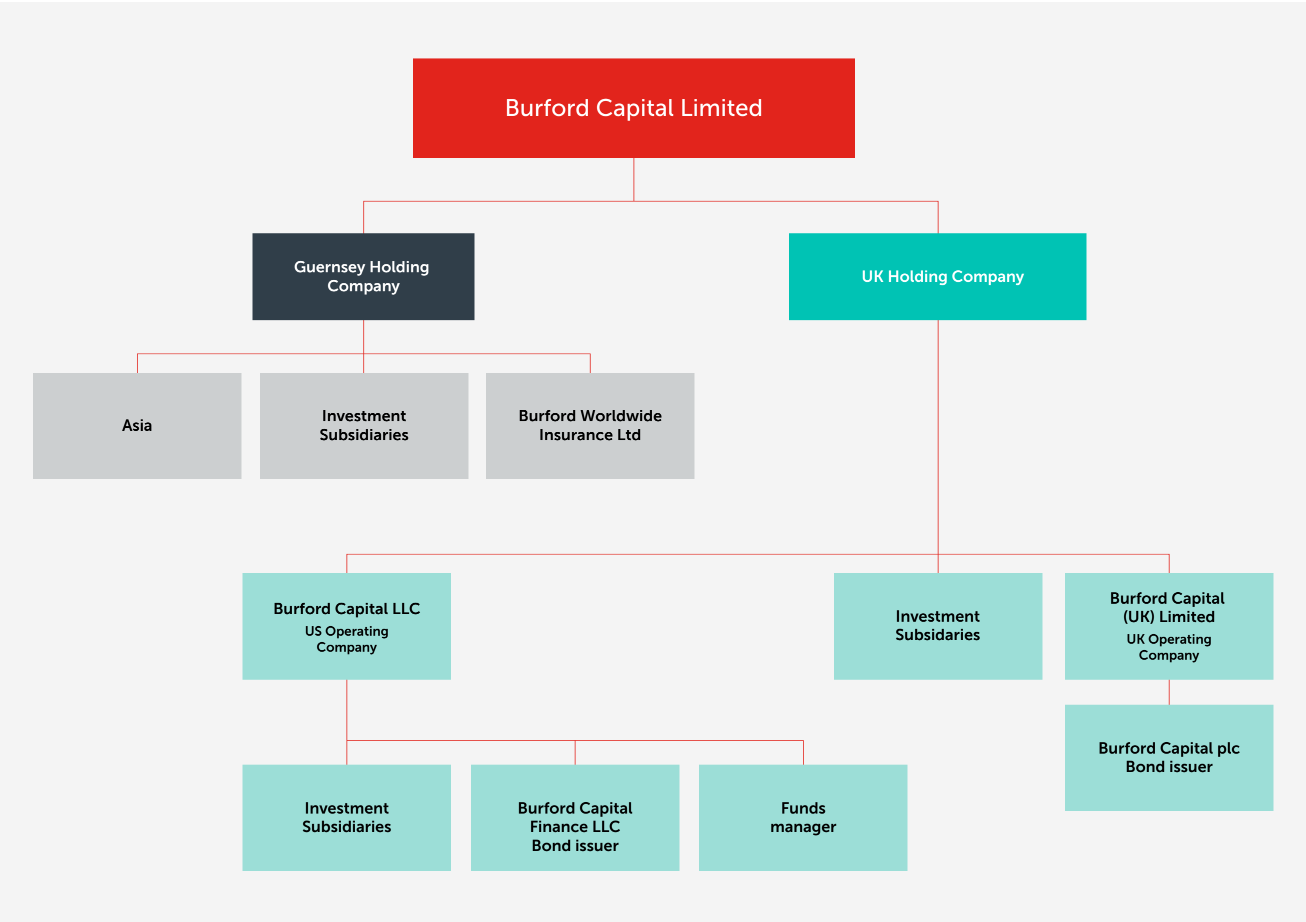
Burford is composed of its publicly traded parent company, Burford Capital Limited ("BCL"), and a number of wholly owned subsidiaries in various jurisdictions through which it conducts its operations and makes its investments. Burford Capital LLC is the principal operating entity in the US and Burford Capital (UK) Limited is the principal operating entity in the UK. Those two entities provide various corporate and investment advisory services to other Group companies. BCL, the public parent, does not have any operations or employees itself.

BCL was incorporated in Guernsey in September 2009. Initially, we were established as a registered closed-ended collective investment scheme. In October 2009, our ordinary shares commenced trading on the London Stock Exchange's AIM market under the symbol "BUR".

In late 2012, we altered our corporate structure by deregistering our status as a registered closed-ended collective investment scheme and reorganising to implement a new Group structure incorporating certain of our wholly owned subsidiaries. In connection with this reorganisation, we acquired our investment adviser, Burford Group Limited, through a cashless merger.

In 2011, we acquired Firstassist Legal Expenses Insurance, a leading provider of litigation expenses insurance in the UK which was the basis of our legacy adverse cost insurance business, now in run-off. In 2015, we acquired Focus Intelligence Ltd, a business intelligence firm that specialised in investigative litigation and arbitration, asset tracing and judgment enforcement; this acquisition formed the basis of our asset recovery business. In December 2016, we acquired GKC Holdings, LLC, a law-focused asset manager registered as an investment adviser with the SEC. This acquisition added a third-party asset management business to our structure to expand the diversity of capital offerings to investing clients and generate an asset management revenue stream.

Burford Capital Limited has a single class of ordinary shares which are traded on the AIM market of the London Stock Exchange. Subsidiaries have issued bonds traded on the Main Market of the London Stock Exchange.



Financial and operational review

Contents

Financial and operational review

We have organised the topics in this financial and operational review in the way that we think about and manage Burford's business. First, we provide a set of financial statements for Burford-only, eliminating consolidated third-party interests and adjusting for certain unusual items to provide a view of the underlying performance of Burford. Then, we address a series of financial and operating topics. Most important is our ability to generate cash, so we describe that first. That cash derives from returns on our portfolio, which we examine next. Those returns reflect the scale, scope and quality of our portfolio, so we provide data on the portfolio after that. We construct our portfolio by making financing commitments on which we deploy capital that ultimately turns into asset realisations, so we review each of those topics in turn. We do not manage Burford with an eye towards fair value accounting, but it is something we have to live with, so we provide a section that walks through its impact on our balance sheet and income, including a discussion of our YPF-related assets which have been the primary driver of our fair value unrealised gains. Our asset management business has been growing in breadth and depth, so we provide some additional detail on that business. Then, after reviewing other income and operating expenses, we lay out our approach to capital management and liquidity.

At several points in this section, we provide comparisons with and references to data in (1) our financial statements and notes (referred to as "FS Notes"), (2) our 3 February 2020 Update on 2019 Trading Performance ("February Trading Update") and (3) our asset data tables as available on our website (the "Website Tables") and summarised in this section on pages 43 to 44 and 47.

Burford balance sheet only results

IFRS requires the consolidation of certain investments that contain third-party capital, principally including the Strategic Value fund and the BOF-C fund, through which our sovereign wealth fund arrangement is conducted. In our view, it is confusing to include the interests of investors other than Burford in our discussion of performance, and we have thus generally excluded the non-Burford portion of such funds from our presentation of our financial performance. The tables below provide a full reconciliation of the consolidated statement of comprehensive income and consolidated statement of financial position so that investors are able to relate our performance discussion with our published accounts.

Statement of comprehensive income

31 December 2019	Consolidated IFRS $'000	Elimination of third-party interests* $'000	Other adjustments** $'000	Burford-only $'000
Capital provision income	351,828	(35,048)	–	316,780
Asset management income	15,160	10,970	–	26,130
Insurance income	3,545	–	–	3,545
Services income	2,133	–	–	2,133
Cash management income and bank interest	6,703	(633)	–	6,070
Foreign exchange gains/(losses)	1,992	60	–	2,052
Third-party share of gains relating to interests in consolidated entities	(15,318)	15,318	–	–
Total income	366,043	(9,333)	–	356,710
Operating expenses	(91,402)	9,333	4,657	(77,412)
Amortisation of intangible asset	(9,495)	–	9,495	–
Operating profit	265,146	–	14,152	279,298
Finance costs	(39,622)	–	–	(39,622)
Profit before tax	225,524	–	14,152	239,676
Taxation	(13,417)	–	–	(13,417)
Profit after tax	212,107	–	14,152	226,259
Other comprehensive income	(17,525)	–	–	(17,525)
Total comprehensive income	194,582	–	14,152	208,734

* Elimination of third party interests is the net of the entities and adjustments and elimination figures shown on page 90 and in Note 23 of the consolidated financial statements.

** Other adjustments exclude the impact of amortisation of intangible asset and of operating expenses incurred related to (i) one-time expenses related to equity and listing matters and (ii) case-related legal fees not included in asset cost under IFRS, and are shown to assist in understanding the underlying performance of the Company.

Statement of financial position

31 December 2019	Consolidated IFRS $'000	Elimination of third-party* interests $'000	Burford-only $'000
Assets			
Cash and cash equivalents	**186,621**	(18,158)	168,463
Cash management assets	**37,966**	–	37,966
Due from brokers	**95,226**	(95,226)	–
Other assets	**13,263**	6,502	19,765
Due from settlement of capital provision assets	**54,358**	(35,369)	18,989
Capital provision assets	**2,045,329**	(211,339)	1,833,990
Equity securities	**31,396**	(31,367)	29
Tangible fixed assets	**20,184**	–	20,184
Intangible asset	**8,703**	–	8,703
Goodwill	**133,999**	–	133,999
Deferred tax asset	**24,939**	–	24,939
Total assets	**2,651,984**	**(384,957)**	**2,267,027**
Liabilities			
Financial liabilities at fair value through profit and loss	**91,493**	(91,493)	–
Due to brokers	**51,401**	(51,401)	–
Loan interest payable	**9,462**	–	9,462
Other liabilities	**51,430**	(435)	50,995
Loan capital	**655,880**	–	655,880
Capital provision asset subparticipations	**13,944**	(5,908)	8,036
Third-party interests in consolidated entities	**235,720**	(235,720)	–
Deferred tax liabilities	**9,662**	–	9,662
Total liabilities	**1,118,992**	**(384,957)**	**734,035**
Total net assets	**1,532,992**	**–**	**1,532,992**

* Elimination of third party interests is the net of the entities and adjustments and elimination figures shown on page 92 and in Note 23 of the consolidated financial statements.

Cash generation

- Group-wide cash proceeds of $1 billion
- Balance sheet cash receipts of over $500 million for second year in a row
- Robust cash generation provides operational and financing flexibility

Burford's balance sheet has historically generated significant cash flow, including in 2019, when cash receipts to the balance sheet were $518 million and Group-wide cash receipts were $1 billion. These cash receipts were predominantly composed of cash proceeds from asset realisations but also included income from asset management, interest and other income.

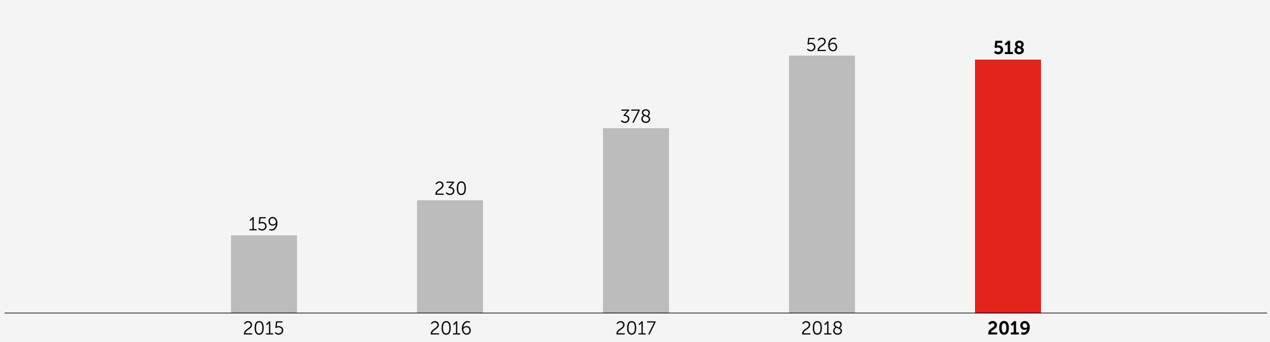
Cash receipts*	**2019**			
($ in millions)	**Group-wide**	**Balance sheet**	**SWF**	**Other funds**
Cash proceeds*:				
Capital provision-direct	310	210	12	88
Capital provision-indirect**	417	270	–	147
Post-settlement finance	250	–	–	250
Asset management cash income	20	20	–	–
Services and other income	18	18	–	–
Total cash receipts	**1,015**	**518**	**12**	**485**

* The difference in cash receipts compared to the "Cash Proceeds" amounts in the 3 February 2020 Trading Update is due to the inclusion of services and other income here. The Cash Proceeds table in the February Trading Update included Core Litigation Finance and Asset Recovery, which are combined into capital provision-direct in the tables above. Complex Strategies from the February Trading Update table comprises capital provision-indirect in this table, with the exception of $12 million of proceeds from a complex strategies asset that is included in capital provision-direct.

During 2019, Burford's balance sheet cash receipts were essentially flat versus 2018 and at levels well above those in previous years.

Cash receipts on Burford's balance sheet		
($ in millions)	2018	**2019**
Cash proceeds from capital provision-direct	287,537	**210,115**
Cash proceeds from capital provision-indirect**	217,979	**269,688**
Cash asset management income	13,991	**20,521**
Cash from services and other income	6,490	**17,504**
Cash receipts generated from operations	**525,997**	**517,828**

Annual cash receipts – Burford balance sheet only**
($ in millions)

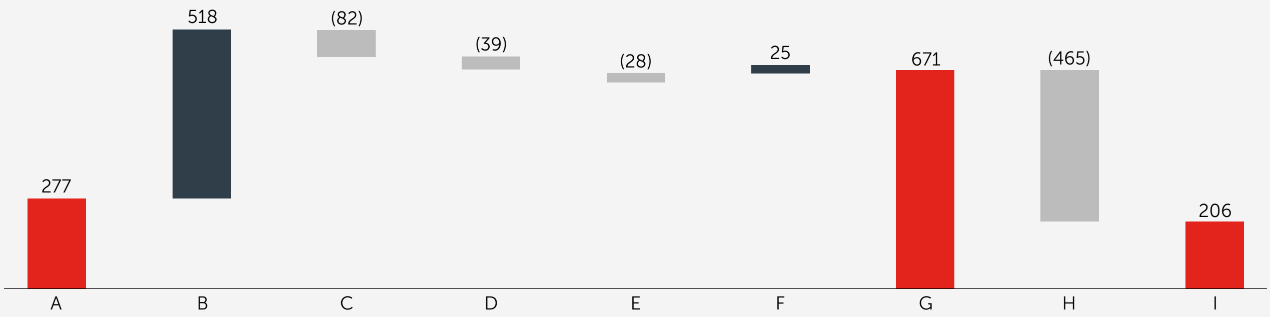


** Includes proceeds from hedging positions, which increased amounts for 2018 by $12m and for 2017 by $16m from what was previously reported.

This significant level of cash receipts gives Burford the flexibility to meet ongoing deployments as well as operating and financing cash needs. As we have previously indicated, we do not have control over the timing of our cash proceeds from asset realisations. We do, however, benefit from the relatively short weighted average life ("WAL") of our assets, which gives us some comfort that cash proceeds will come in with some regularity. In particular, our capital provision-indirect portfolio, with a WAL of less than one year, provides us with relatively consistent cash proceeds.

From these cash receipts, Burford funds its operating expenses, finance costs and dividends. During 2019, Burford's balance sheet generated more than three times as much cash as needed to cover those cash outflows, leaving significant cash available for deployments into new legal finance assets. Burford did not raise external capital for the balance sheet in 2019.

2019 cash bridge – Burford balance sheet only
($ in millions)



A Cash and cash management balance 1/1/19
B Cash receipts
C Operating expenses
D Finance costs
E Dividends
F Net change in payables
G Cash balance before deployments
H Deployments
I Cash and cash management balance 31/12/19

■ Increase ■ Decrease ■ Total

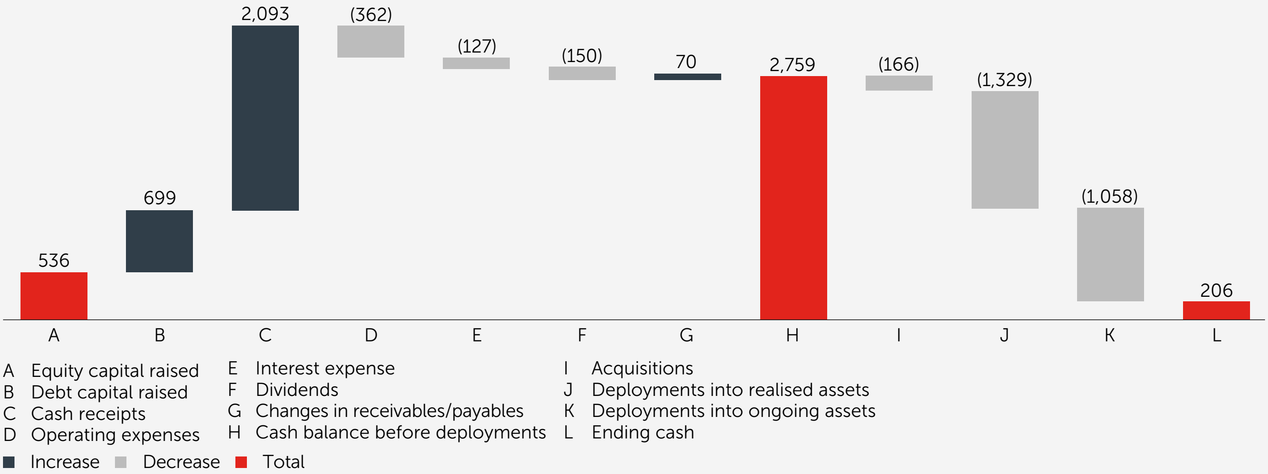
Burford has a consistent history of generating significant cash receipts and, therefore, substantial cash available for deployment.

Internally-generated cash available for redeployment – Burford balance sheet only

($ in millions)	2015	2016	2017	2018	**2019**
Cash receipts generated from operations	159	230	378	526	**518**
Operating expenses	(26)	(39)	(52)	(67)	**(82)**
Finance costs	(9)	(12)	(23)	(33)	**(39)**
Cash available for deployment	124	179	303	426	**397**

Burford's balance sheet has generated over $2 billion in cash receipts over its life. We have deployed this cash and additional capital raised externally into new assets, as should be expected in a business that is growing.

Cash bridge from inception – Burford balance sheet only
($ in millions)



Data reconciliation

The following table provides investors with further information on how data in this section of the financial and operational review is related to data in the financial statements notes.

Reconciliation between financial statements and cash receipts
2019

Item	**$'000**	Source/Comment
Consolidated cash flow:		
Capital provision assets—proceeds received	491,252	From consolidated statement of cash flows
less: elimination of third-party interests	(80,407)	From FS note 8
Burford-only total	410,845	Sum of capital provision-direct and indirect proceeds received in FS note 8
Proceeds received:		
Capital provision-direct	233,972	From FS note 8
less: warehousing proceeds	(33,078)	Proceeds from assets held by Burford temporarily pending transfer to a managed fund, as discussed in FS note 6
plus: refinancing proceeds	9,221	Proceeds from re-financed asset treated as a restructuring under IFRS standards
Adjusted capital provision-direct proceeds:	**210,115**	Table on page 32: $210 million of capital provision-direct on balance sheet
Capital provision-indirect	176,873	From FS note 8
plus: cash from margin/hedging	56,194	Proceeds from hedging/margin transactions in the due from/to brokers lines of the balance sheet (see chart on page 50)
plus: proceeds held at fund level	36,621	Proceeds held at the fund level pending deployment
Adjusted capital provision-indirect proceeds:	**269,688**	Table on page 32: $270 million of capital provision-indirect on balance sheet
Asset management income	26,130	From FS note 10
less: increase in receivable	(5,609)	Non-cash portion
Asset management cash income	**20,521**	Table on page 32: $20 million of asset management fees
Cash from services	1,123	From consolidated statement of cash flows
Insurance income	10,311	From Burford only income statement, adjusted by the decrease in receivable
Cash management and bank interest	6,070	From Burford only income statement
Services and other cash income	**17,504**	Table on page 32: $18 million of services and other cash income
Cash receipts generated from operations	**517,828**	Table on page 32: $518 million of total cash receipts on the balance sheet

Current portfolio

- Group-wide portfolio of $4.2 billion (66% annualised growth over past five years)
- Balance sheet portfolio of $2.7 billion (49% annualised growth over past five years)

Burford's aim is to build a portfolio of legal finance assets that balances risk and return, manages asset lives appropriately and assures diversification. Through the implementation of this consistent portfolio construction strategy over a decade of vintages, Burford operates the industry's largest diversified portfolio of legal finance assets by a considerable margin.

Burford counts each of its contractual relationships as an "asset", although many such relationships are composed of multiple underlying litigation matters that are often cross-collateralised rather than reliant on the performance of a single matter. So, while Burford holds 151 "assets" directly and nine other assets indirectly through its investment in the Strategic Value Fund, there are many more separate claims underlying the capital provision portfolio (and a single claim may well have multiple paths to a recovery), although some of those claims relate to the same underlying legal theory and thus have some correlation.

Burford originates legal finance assets using a wide range of economic structures. The starting point in a single case asset is typically an arrangement under which Burford will receive its capital back as a first dollar matter followed by some preferred return on that capital along with a share of the ultimate recovery. Even in straightforward assets, the terms agreed will vary widely based on our assessment of the risk and likely tenor of the matter. Moreover, the larger or more complex a matter, the more likely it is to have an individually designed transactional structure to fit the needs of the matter, to accommodate what are often multiple parties with economic interests and to align interests and incentivise rational economic behaviour. It is, therefore, difficult to generalise about the financial terms of legal finance assets, although Burford underwrites all of its assets to have the ability to produce desirable returns.

At 31 December 2019, the Group-wide portfolio was $4.2 billion, including funded cost, unrealised gain and undrawn commitments. Of this amount, $2.7 billion was attributable to the balance sheet.*

Current portfolio – Group-wide

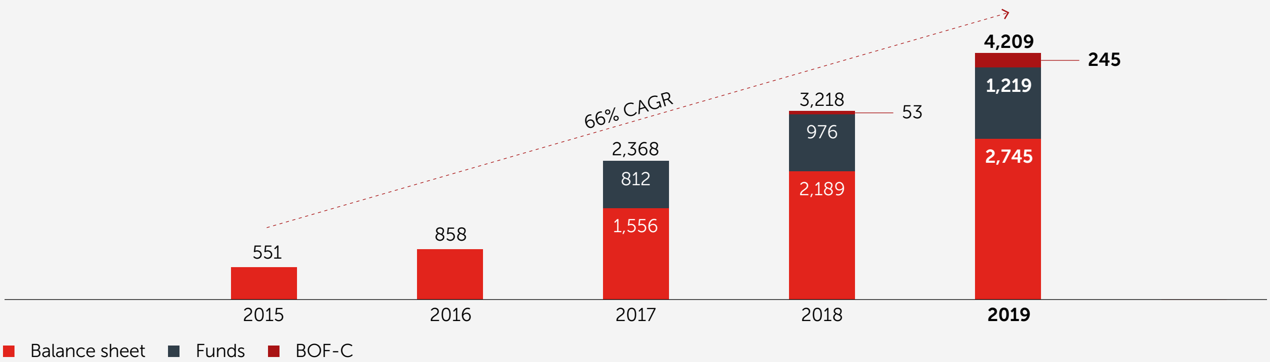
As of 31 December 2019 ($ in millions)	Current portfolio			
	Balance sheet	Funds	BOF-C	Total
Capital provision-direct:				
Deployed cost	877.3	424.7	85.1	1,387.1
+ Fair value adjustments	772.1	83.0	7.1	862.2
= Carrying value	1,649.4	507.7	92.2	2,249.3
+ Undrawn commitments	911.7	307.6	152.4	1,371.7
= Total	**2,561.1**	**815.3**	**244.6**	**3,621.0**
Capital provision-indirect:				
Carrying value**	184.6	104.9	0.0	289.5
+ Undrawn commitments	0.0	0.0	0.0	0.0
= Total	**184.6**	**104.9**	**0.0**	**289.5**
Post-settlement:				
Deployed cost	0.0	218.7	0.0	218.7
+ Fair value adjustments	0.0	16.6	0.0	16.6
= Carrying value	0.0	235.3	0.0	235.3
+ Undrawn commitments	0.0	63.3	0.0	63.3
= Total	**0.0**	**298.6**	**0.0**	**298.6**
Total portfolio	**2,745.7**	**1,218.8**	**244.6**	**4,209.1**

* While some of our competitors inflate their numbers by discussing claim value or expected value, we discuss here only Burford's assets, ignoring our clients' interests in the same assets.

** Does not include hedging-related assets of $92 million which are included on the balance sheet in lines other than capital provision assets.

The portfolio has grown steadily over the past several years, with a compound annual growth rate (CAGR) of 50% (Burford only) and 66% (Group-wide) since 2015.

Total portfolio – Group-wide
($ in millions)



Undrawn commitments

- Only 35% of undrawn commitments are definitive obligations to fund
- Deployments on undrawn commitments remain gradual (median of 16% over past three years)

Although our realisations are neither controllable nor predictable, we do have significantly more visibility of and control over our deployments. Although some portion of these deployments are on prior definitive commitments which we are obligated to fund, a significant portion of deployments on prior commitments are discretionary, so that we have control over whether to fund. Deployments on new potential commitments are entirely within our control, since we can decline to make the commitment in the first instance if we do not want to deploy capital at that time.

Group-wide unfunded commitments outstanding at year end

As of 31 December 2019 (2018) ($ in millions)		Balance sheet commitments	Fund commitments	BOF-C commitments	Total
Capital provision-direct:					
Legal finance	**2019**	**828.6**	**287.4**	**146.2**	**1,262.2**
	2018	614.9	248.2	31.8	894.9
Legal risk management	**2019**	**83.1**	**20.2**	**6.2**	**109.5**
	2018	72.5	15.4	0.0	87.9
Capital provision-indirect:					
Strategic Value fund	**2019**	**0.0**	**0.0**	**0.0**	**0.0**
	2018	0.0	0.0	0.0	0.0
Post-settlement funds	**2019**	**0.0**	**63.3**	**0.0**	**63.3**
	2018	0.0	19.0	0.0	19.0
Total unfunded commitments	**2019**	**911.7**	**370.9**	**152.4**	**1,435.0**
	2018	687.4	282.6	31.8	1,001.8

The table above shows $912 million of unfunded (undrawn) commitments attributable to the capital provision-direct portfolio on Burford's balance sheet. (Other undrawn commitments are the responsibility of funds and other capital pools, which plan separately to be able to meet those commitments, typically by calling capital from investors.) Of that number, $83 million is attributable to legal risk management, none of which we expect to need to fund and none of which would be required on any sort of accelerated basis. The remaining $829 million relates to existing legal finance arrangements.

While that seems like a large number, there are three important points to bear in mind about undrawn commitments.

First, our undrawn commitments can be divided into two categories: discretionary and definitive. Discretionary commitments are those commitments where Burford retains a considerable degree of discretion over whether to advance capital and generally would not suffer an adverse financial consequence from failing to do so. As an example, if we have committed to a law firm to fund future new cases for them, that commitment would be subject to underwriting and approving those new cases; we would not be obligated to provide funding unless we have given those approvals. Definitive commitments are those commitments where Burford is contractually obliged to fund incremental capital and failure to do so without good reason (such as a negative change in a case's prospects) would typically come with adverse contractual consequences.

Of the $829 million of litigation finance commitments, $540 million (65%) are discretionary and $289 million (35%) are definitive.

Capital provision-direct unfunded commitments
Burford balance sheet only

31 December 2019	$'000	% of total
Unfunded commitments – legal finance		
Definitive	288,513	35
Discretionary	540,095	65
Total	**828,608**	**100**

Second, we have good visibility into the timing of when definitive commitments will be drawn, and the ability to plan for those draws. This visibility is partly because many of our agreements actually structure future draws on an explicit timetable or with reference to case events, and partly because we have good insight into the timing of individual legal actions. For example, we know that the median time to trial in the US federal courts was recently reported as 27.8 months, and has not been lower than 26.3 months in the last five years. Thus, we know that the significant portion of our funding that relates to a case's trial in those courts for a new matter won't be drawn until 2022 at the earliest.

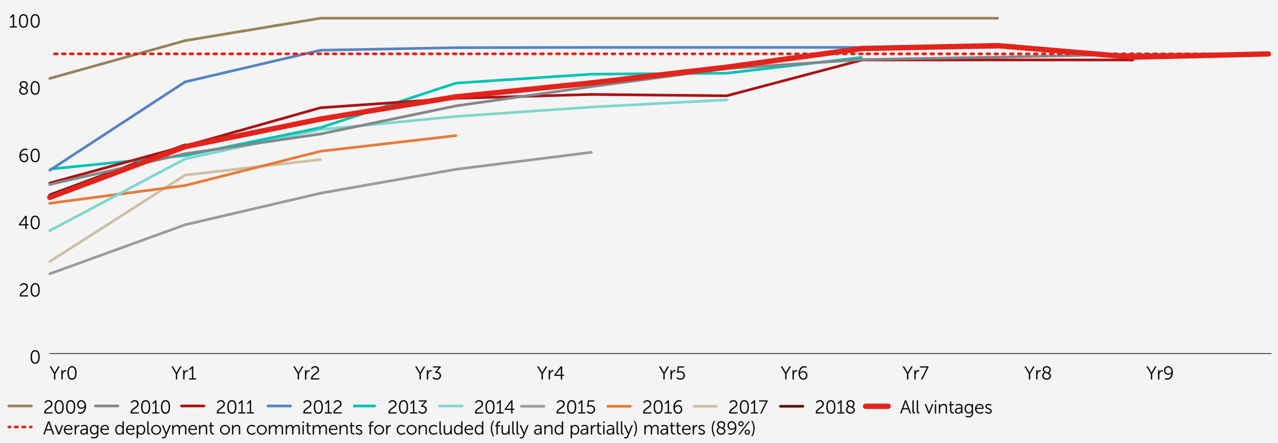
Indeed, the table below shows our year-by-year experience in the last three years; we have deployed a median of 16% of the prior year's unfunded commitments in the following year.

Capital provision-direct deployments on unfunded legal finance commitments
Burford balance sheet only

($ in millions)	2016	2017	2018	Three-year median
Unfunded commitments as of 31 December	296	503	615	
Deployed in following year (i.e. 2018 deployed in 2019)	47	152	94	
Percent deployed	16%	30%	15%	16%

Third, the incidence of settlement means that not all of our commitments will in any event be drawn. Historically, we have ended up deploying on average 89% of our commitments on concluded (fully and partially) matters, but it can take many years to reach that level as shown in the chart below which looks at deployments on both ongoing and concluded assets:

Capital provision-direct cumulative deployments as a % of vintage commitment
Burford balance sheet only
(%)

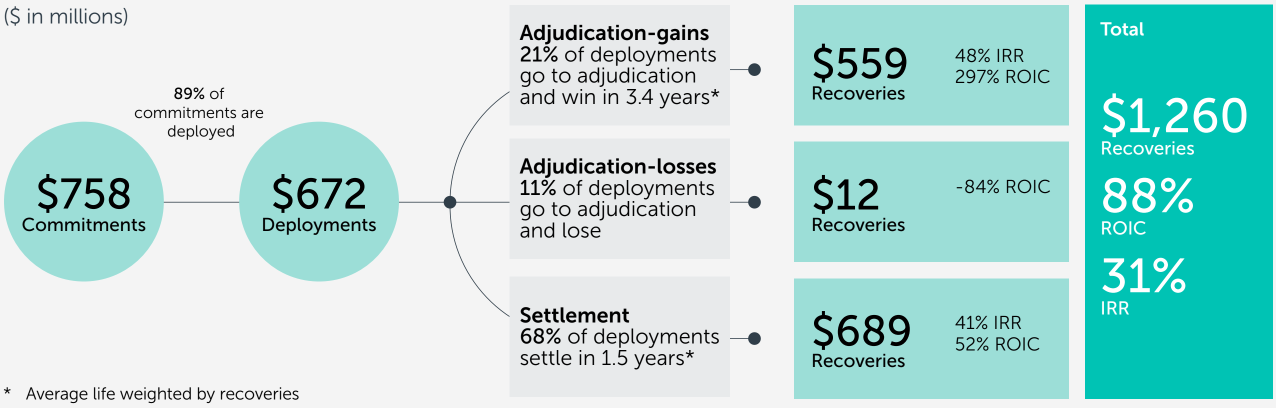


Capital provision-direct portfolio

Before considering the performance of the legal finance assets in our capital provision-direct portfolio, it may be worth reviewing the typical life of a litigation matter. While different legal fora have somewhat different approaches, this generic approach is generally applicable.

Once a case is commenced, pre-trial activity begins, including discovery and pre-trial motions. Often, as the case develops through this phase, one side or the other will conclude its position is not as strong as it thought, which can often lead to settlement discussions. If a case doesn't settle, it moves to trial and a judgment; again, settlement can often occur at or around the trial phase. After a judgment has been entered, there is typically an appeal process (during which settlements can also occur) before the judgment becomes final. This entire process can occur over the course of several years but, in some jurisdictions, can take longer (or, in some lamentably small number of cases, be faster).

Capital provision-direct assets
Fully and partially concluded assets
From inception through 2019
Burford balance sheet only
($ in millions)

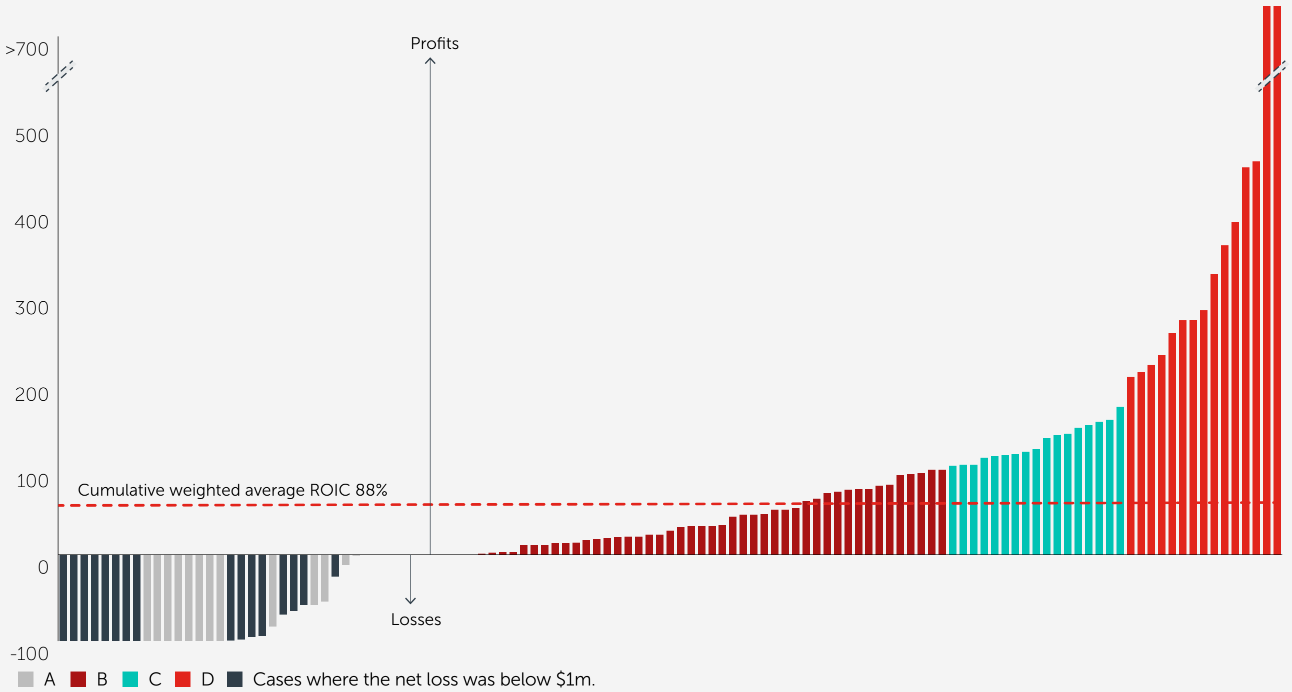


* Average life weighted by recoveries

Of Burford's concluded cases to date, 68% based on deployed cost have settled, while 32% have gone to adjudication (note that we include assets sold within the adjudication category for purposes of this analysis). Returns are robust from settlements, but strong return outperformance comes from asymmetric returns on judgments. This is not anything unusual nor are those outperforming assets unique or non-repeatable; rather, it is the fundamental nature of the litigation process to produce dispersed returns. And losses are a normal part of our business, but are well tolerated within our portfolio in light of our high returns in the event of successful matters. It is inevitable that a small portion of our portfolio will deliver an outsized percentage of our returns. Our underwriting process and deal structures are designed to put potential outperformers in the portfolio and make sure we get significant returns if they go all the way to a positive judgment. The chart on the next page illustrates both the significance and the normality of outsized returns in a ligation finance portfolio.

Concluded (fully and partially) capital provision-direct assets – Arrayed by ROIC (%)
Burford balance sheet only
($ in millions)

A	B	C	D	
0% or less ROIC	**0 to 99% ROIC**	**100 to 199% ROIC**	**200% or greater ROIC**	**Total**
Deployed: **$103** 15% of total	Deployed: **$449** 67% of total	Deployed: **$62** 9% of total	Deployed: **$58** 9% of total	Deployed: **$672**
Profit: **($72)** (12%) of total	Profit: **$127** 22% of total	Profit: **$83** 14% of total	Profit: **$450** 76% of total	Profit: **$588**



As discussed elsewhere, we reject the concept of considering our business without all of its successes, including the Petersen case. However, even if one removes Petersen sales, we are still left with $221 million of profit from $51 million of deployments in the >200% ROIC category, underlining the point that Burford regularly generates high returns in some of its matters.

Our business is not unique in relying upon a small number of assets for return outperformance. Certainly, venture capital fits that model, though a typical venture capital portfolio will have a higher proportion of losing investments than we have experienced and a generally longer tenor.

Portfolio tenor

- Concluded capital provision-direct portfolio WAL of 2.3 years weighted by recoveries (1.7 years weighted by deployments)

Given that Burford does not—and is not able to—provide forward guidance about cash flows, we instead provide here detailed information about historical resolutions so that investors may make their own judgements about the likely timing of resolutions from the current portfolio.

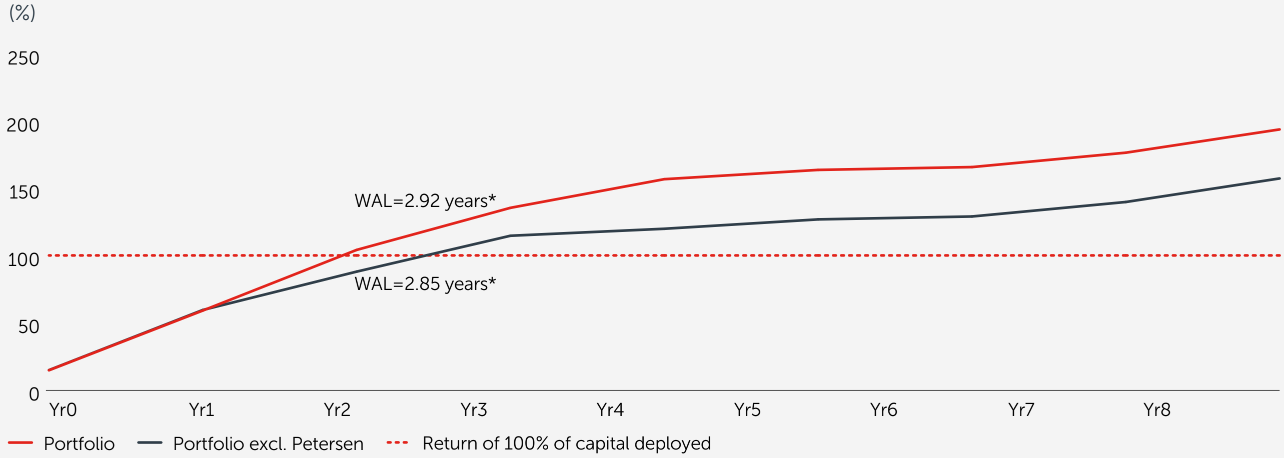
The reality of litigation, as discussed before, is that a majority of cases settle and pay proceeds in a relatively short period of time, and a minority of Burford's portfolio goes on to adjudication, which takes longer.

Financial and operational review
continued

The chart below shows the impact of those outcomes over Burford's entire history of realisations since inception. At the most basic level, this chart shows that a typical vintage in our portfolio returns all of the capital invested in two to three years after commitment and then begins generating profits for years thereafter.

While we believe strongly that our Petersen investment is a part of Burford's overall performance and should not be treated separately, we have presented the chart below both with and without the impact of the secondary sales we have made of our Petersen investment, since we think it is useful to consider the data in both ways.

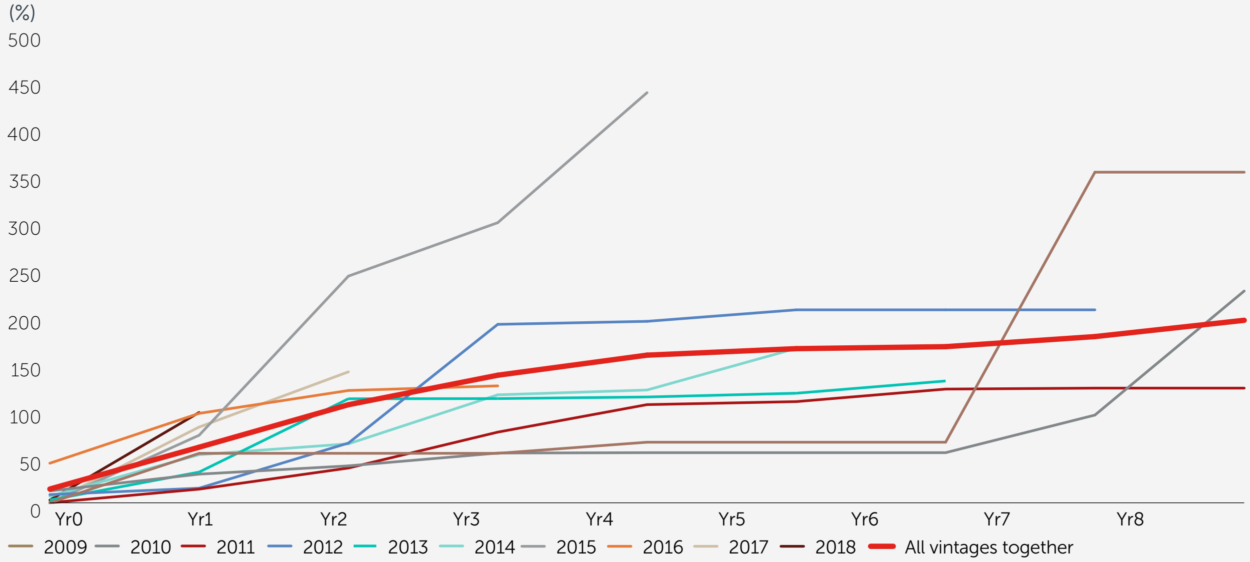
Cumulative capital provision-direct
Realisations as a % of portfolio deployments by years from commitment
Burford balance sheet only



* From initial commitment to weighted average date of realisation, weighted by recoveries

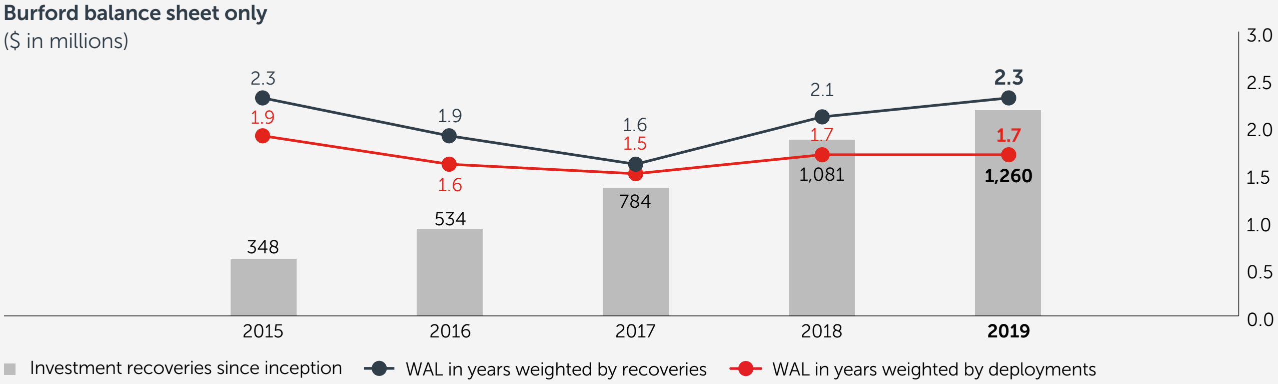
Obviously, different vintages will perform differently, and the chart below shows each individual vintage on the same basis. As can be seen, some vintages level off earlier while others produce spikes in recoveries later in their lives

Cumulative capital provision-direct
Realisations as a % of vintage deployments by years from commitment
Burford balance sheet only



Note that the vintage cash flows and weighted average lives in the charts above are calculated from initial commitment dates. We have historically presented weighted average life (or duration) data from the time of average deployment to the time of average realisation, which has to date been about a half year shorter than measuring from initial commitment. Said another way, it typically takes about a half a year to get to average deployment on a commitment since initial deployments of a portion of the commitment are often followed by subsequent deployments that take place over several years. On that basis, we can look at the historical weighted average lives (beginning at the point of average deployment) of the capital provision-direct portfolio, weighted both by deployed cost (our historical method) and by recoveries:

Capital provision-direct
Weighted average life of concluded (fully and partially) portfolio
Burford balance sheet only
($ in millions)



If we had done these weighted average life calculations on the "core litigation balance sheet portfolio" as presented (as duration) in past years, the WAL at 31 December 2019 would have been 1.8 years weighted by deployments and 2.4 years weighted by recoveries.

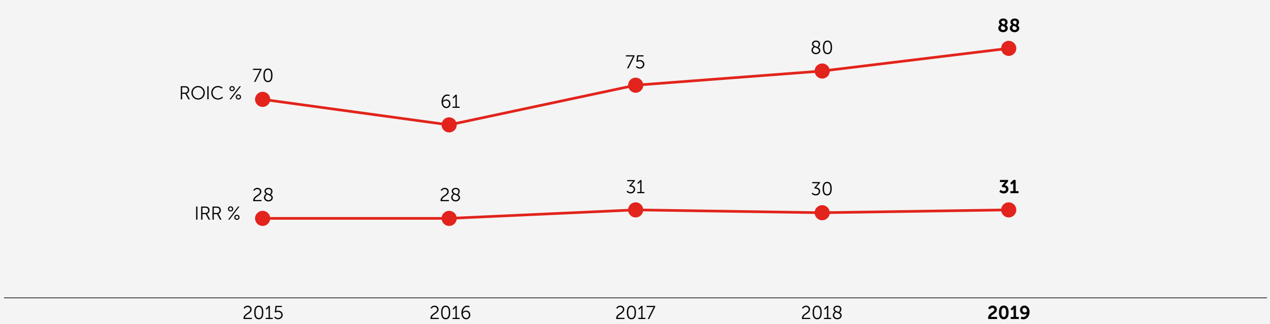
Burford's capital provision-direct portfolio, though sizeable at this point, is still relatively young because of its rapid growth. As a consequence, weighted average lives on the concluded portfolio in aggregate are likely shorter than they would be on a mature portfolio because we have realised some of the shorter-tenor assets in our more recent, larger vintages while still being some time away from realising the longer-tenor assets in those vintages.

Portfolio returns

- Concluded portfolio ROIC of 88% (93% on core litigation finance) and IRR of 31%

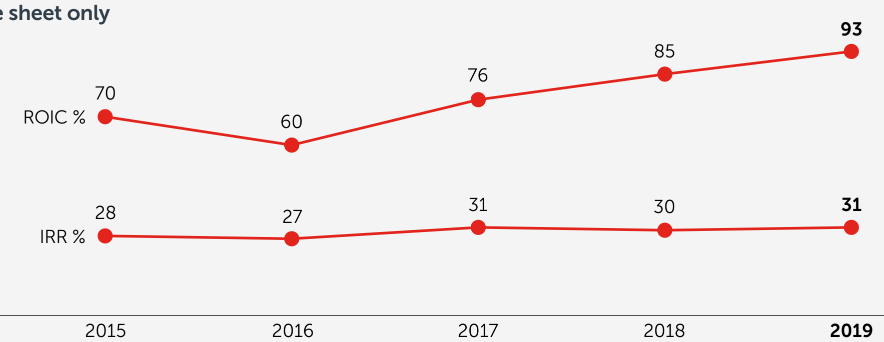
As of 31 December 2019, concluded assets in Burford's balance sheet capital provision-direct portfolio had generated an ROIC of 88% and an IRR of 31% since Burford's inception.

Capital provision-direct
Returns since inception from concluded (fully and partially) portfolio
Burford balance sheet only
(%)



As noted earlier in this report, we have changed somewhat the composition of the portfolio we are using in our return statistics to encompass our asset recovery finance assets, our legal risk management assets and complex strategies assets other than those included in our Strategic Value fund (which accounts for the considerable majority of such assets). If we had not made those changes, but instead used the same concluded "core litigation finance" balance sheet assets as in past years, our ROIC would have been 93% and our IRR 31% as of 31 December 2019 instead of an ROIC of 88% and an IRR of 31%. The main reason for the difference in ROIC statistics is the inclusion in the broader data set of a small number of concluded assets which had low ROICs but short lives and, therefore, little impact on the overall IRR.

Core litigation finance
Returns since inception from concluded (fully and partially) portfolio
Burford balance sheet only
(%)



We have applied a consistent definition of concluded matters for many years, and we do not consider cases to be concluded (and therefore part of these concluded return statistics) until there is no longer any litigation risk remaining. Our concluded return statistics are not intended to mirror our IFRS reporting; we do not include fair value in our returns, either positive or negative. That will result in these return numbers not including the impact of positive developments until matters conclude, and it will also result in these numbers not including the impact of negative developments while matters remain pending. We have a small number of legal finance assets which are still ongoing (because the litigation has not run its course) yet we have written them off completely under our fair value policy for IFRS financial statement purposes because events in the cases have been unfavourable. If we were to consider the three such cases (representing $16 million in costs) in our portfolio at year end 2019 to be concluded, our ROIC on our capital provision-direct portfolio would have been 83% and our IRR 29% at 31 December 2019 instead of an ROIC of 88% and an IRR of 31%. This is of course a particularly conservative perspective as we are accelerating losses but not accelerating gains, and we present it to show the overall quality of the portfolio.

For reasons that we addressed earlier, we do not believe it makes sense to exclude our highest-returning assets from our return metrics in a business where we are currently originating new assets with the potential to generate outsized returns. Nonetheless, in response to investor inquiries, we have in the past provided our returns data excluding our Petersen realisations; at 31 December 2019, excluding proceeds from our sales of Petersen participations, our capital provision-direct ROIC would have been 54% and our IRR 24% instead of an ROIC of 88% and an IRR of 31%.

Summary asset portfolio

On our website, we provide a table with details on every asset (concluded and ongoing) that we have funded in our capital provision-direct portfolio over our history. The updated table as of 31 December 2019 will be posted on the website at the time of release of this report. A summary by vintage of the performance data in that table appears below:

Capital provision-direct assets
Burford balance sheet only

($ in millions)	Number of assets	Commitment amount	Deployed costs	Recovered proceeds	ROIC	IRR	WAL – D[1]	WAL – R[2]
Concluded	3	11.5	11.5	40.1	251%	32%	3.3	4.8
Partial realised – concluded	–	–	–	–				
Partial realised – ongoing	–	–	–	–				
Ongoing	–	–	–	–				
2009 Total	**3**	**11.5**	**11.5**	**40.1**				
Concluded	14	94.8	81.3	182.7	125%	21%	3.0	4.5
Partial realised – concluded	–	–	–	–				
Partial realised – ongoing	–	–	–	–				
Ongoing	2	22.6	22.5	–				
2010 Total	**16**	**117.4**	**103.8**	**182.7**				
Concluded	10	86.9	59.7	72.6	21%	8%	3.2	2.4
Partial realised – concluded	1	1.4	1.4	1.4				
Partial realised – ongoing		14.2	14.2	–				
Ongoing	3	20.1	20.1	–				
2011 Total	**14**	**122.6**	**95.4**	**74.0**				
Concluded	8	61.5	56.7	116.2	105%	41%	2.3	2.1
Partial realised – concluded	–	–	–	–				
Partial realised – ongoing	–	–	–	–				
Ongoing	1	2.0	0.5	–				
2012 Total	**9**	**63.5**	**57.2**	**116.2**				
Concluded	9	21.9	20.8	26.5	30%	18%	1.7	1.8
Partial realised – concluded	2	3.2	3.2	4.9				
Partial realised – ongoing		4.2	2.0	–				
Ongoing	1	10.8	9.2	–				
2013 Total	**12**	**40.1**	**35.2**	**31.4**				
Concluded	15	85.3	62.5	97.9	64%	32%	1.7	1.8
Partial realised – concluded	4	12.1	11.9	24.3				
Partial realised – ongoing		36.4	25.4	–				
Ongoing	4	30.0	23.2	–				
2014 Total	**23**	**163.8**	**123.0**	**122.2**				

1. WAL of the vintage weighted by deployments
2. WAL of the vintage weighted by recoveries

Capital provision-direct assets
Burford balance sheet only continued

($ in millions)	Number of assets	Commitment amount	Deployed costs	Recovered proceeds	ROIC	IRR	WAL – D	WAL – R
Concluded	12	74.1	63.0	76.2	337%	181%	0.8	2.5
Partial realised – concluded	4	11.9	10.7	246.0				
Partial realised – ongoing		41.3	18.2	–				
Ongoing	4	131.6	64.8	–				
2015 Total	**20**	**258.9**	**156.7**	**322.2**				
Concluded	7	149.8	147.7	187.8	26%	19%	1.3	1.3
Partial realised – concluded	8	17.4	17.4	19.5				
Partial realised – ongoing		163.7	42.7	–				
Ongoing	11	126.1	91.7	–				
2016 Total	**26**	**457.0**	**299.5**	**207.3**				
Concluded	3	59.3	59.1	71.1	31%	35%	0.7	0.9
Partial realised – concluded	5	26.5	25.6	39.6				
Partial realised – ongoing		137.7	110.4	–				
Ongoing	17	304.7	108.9	–				
2017 Total	**25**	**528.2**	**304.0**	**110.7**				
Concluded	2	14.6	14.4	21.9	46%	33%	1.0	1.1
Partial realised – concluded	7	13.3	13.3	18.7				
Partial realised – ongoing		96.8	77.6	–				
Ongoing	30	256.4	97.1	–				
2018 Total	**39**	**381.1**	**202.4**	**40.6**				
Concluded	1	11.9	11.9	11.9	8%	19%	0.3	0.3
Partial realised – concluded	2	0.2	0.2	1.0				
Partial realised – ongoing		22.3	5.0	–				
Ongoing	45	381.3	143.2	–				
2019 Total	**48**	**415.7**	**160.3**	**12.9**				
Overall total								
Concluded	84	671.6	588.6	904.9				
Partial realisation – concluded portion*	33	86.0	83.7	355.4				
Total capital provision-direct concluded portion	**117**	**757.6**	**672.3**	**1,260.3**	**88%**	**31%**	**1.7**	**2.3**
Partial realisation – ongoing portion*	33	516.6	295.5	–				
Ongoing	118	1,285.6	581.2	–				
Total capital provision-direct ongoing portion	**151**	**1,802.2**	**876.7**	**–**				
Total capital provision-direct	**235**	**2,559.8**	**1,549.0**	**1,260.3**				

* As of 31 December 2019, there are 33 capital provision assets with partial realisations. We repeat the number with partial realisations in total capital provision-direct concluded and total capital provision-direct ongoing.

Details on the portfolio

The following chart shows the products and services we provide (as discussed further in the Burford's Business section of this report) that give rise to the assets in our capital provision-direct portfolio.

Total Group-wide portfolio (funded cost + unrealised gain + undrawn commitment) by product/service

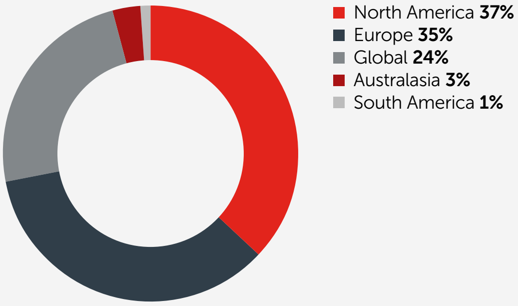
	Capital provision-direct			
As of 31 December 2019 ($ in millions)	Balance sheet	BOF-C	Other funds	Total
Single	560.0	84.8	245.7	890.5
Portfolio	1,742.9	153.6	549.4	2,445.9
Asset recovery	173.5	0.0	0.0	173.5
Legal risk	84.7	6.2	20.2	111.1
Total	**2,561.1**	**244.6**	**815.3**	**3,621.0**

Note: There were no Complex Strategies assets in the capital provision-direct portfolio at period end

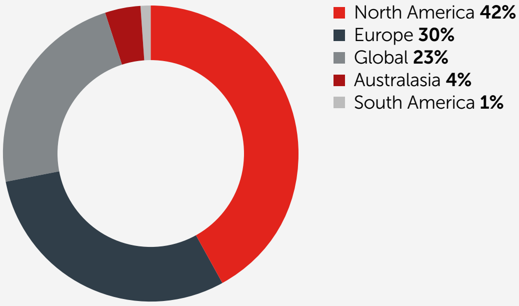
We classify cases by the jurisdiction in which they are pending (or, for arbitration, "seated" in the jurisdiction which establishes the court regime and supervises the underlying arbitration) regardless of the nationality of the parties, and in the case of multinational matters we classify them based on their predominant connection, if one can be discerned. When we have matters that simply defy such categorisation, we have classified them as "global". The following charts show a breakdown of commitments by dollar amount by categorisation as of 31 December, 2019.

Although our business is global, the bulk of our commitments (and, correspondingly, our deployments and realisations) are denominated in US dollars.

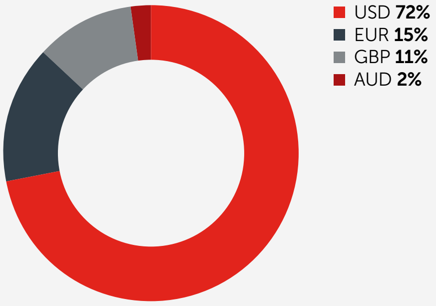
Capital provision-direct Balance sheet commitments* by geography



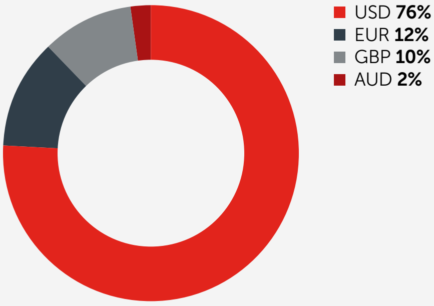
Capital provision-direct Group-wide commitments* by geography



Capital provision-direct Balance sheet commitments* by currency



Capital provision-direct Group-wide commitments* by currency

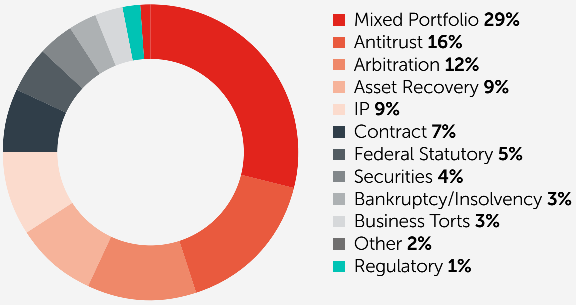


* Commitments include deployed cost and undrawn commitments.

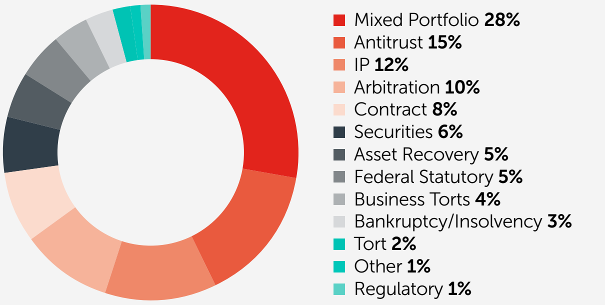
These charts do not capture all of the currency risk to which the business is subject and are not intended to do so; they merely show the currency in which our capital provision-direct commitments are written. While generally our returns are computed based on that contractual currency (so that if we advance US dollars we are entitled to be repaid in US dollars), the underlying litigation may expose us to currency risk. For example, if we finance an arbitration claim in which the underlying damages will be assessed by the tribunal in local currency and if that currency devalues against the US dollar during the course of our investment, our share of the underlying recovery would be worth less in US dollars (and we do not generally hedge that risk because of the uncertainty both of outcome and timing of the underlying adjudication). However, we are often entitled to recover our principal in the contractual currency regardless of underlying currency movements, so while the currency movement could reduce (or increase) our profits, it would be less likely to affect the recovery of our US dollar principal.

The Group capital provision-direct portfolio encompasses 13 case types across 20 industries as classified by the Standard Industrial Classification (SIC).

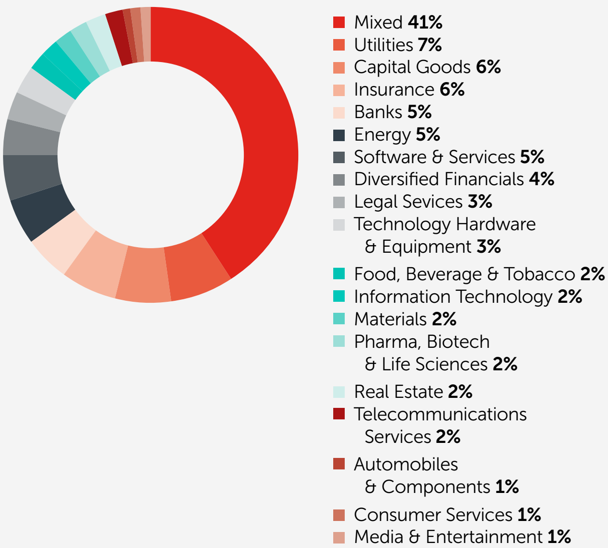
Capital provision-direct Balance sheet commitments* by case type



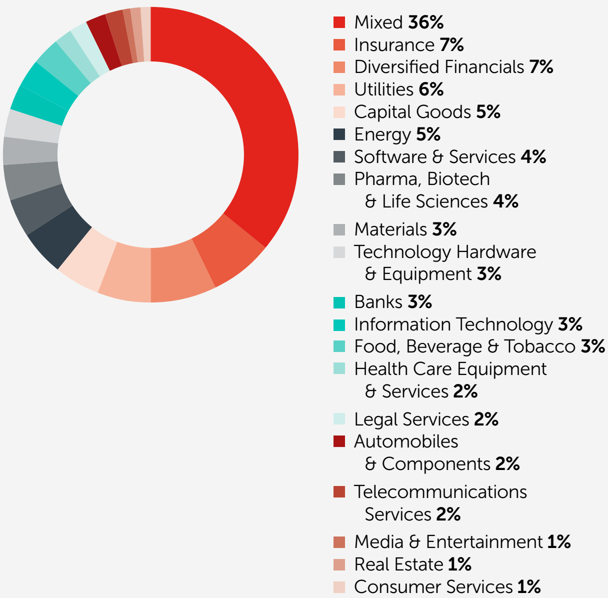
Capital provision-direct Group-wide commitments* by case type



Capital provision-direct Balance sheet commitments* by industry



Capital provision-direct Group-wide commitments* by industry



* Commitments include deployed cost and undrawn commitments. Does not include unrealised gains.

The claims underlying our legal finance assets are generally diverse. No single law firm accounted for more than 13% of our Group-wide commitments (14% balance sheet only) and, with respect to that law firm, our commitments are spread amongst a number of different lawyers and diverse cases, so that no single case with that law firm comprised more than 2% of Group-wide commitments. However, our capital provision-direct portfolio does include certain related exposures where we have financed different clients relative to the same or very similar claims, such that outcomes on these related exposures are likely to be correlated. At 31 December 2019, our five largest related groups of exposures were:

Capital provision-direct portfolio

Five largest related exposures by deployed cost at 31 December 2019 Industry	Case type	Geography	Number of assets	Number of cases	Group-wide deployed cost $'000	Balance sheet deployed cost $'000	Balance sheet: % of total capital provision-direct portfolio deployed cost
Insurance	Federal Statutory	North America	10	17	143,974	94,240	11
Utilities	Arbitration	Europe	1	2	83,815	62,273	7
Food, beverage & tobacco	Antitrust	North America	2	2	81,900	34,128	4
Energy	Contract	North America	4	2	79,186	39,190	5
Software & services	Antitrust	North America	6	1	59,887	41,725	5

Capital provision-indirect portfolio

- Concluded portfolio return of 17% IRR
- WAL by recoveries of 7 months

We began deploying capital in our capital provision-indirect portfolio in 2017. To date we have originated 18 assets in this portfolio of which nine have concluded. Those concluded assets have generated an overall ROIC of 8% and an IRR of 17% (without regard to allocation between the balance sheet and the fund). Note that because of the shorter weighted average lives and lower risk of these assets, ROICs will generally be lower than traditional litigation finance assets. In addition to direct investment returns, Burford earns management and performance fees from these assets, increasing the balance sheet's total returns from this portfolio.

Beginning with this reporting period, we are providing a table with details on every asset that we have funded in our capital provision-indirect portfolio over our history. This table as of 31 December 2019 will be posted on our website at the time of release of this report. A summary by vintage of the concluded performance data in that table appears below.

Capital provision-indirect portfolio ($ in millions) (includes hedging-related assets)	Number of assets	Total commitments	Total deployed	Total recovered	ROIC	IRR	WAL*	Final life*
2017: Concluded	6	362.1	362.1	387.3	7%	12%	0.7	1.3
Ongoing**	1	48.8	48.8	41.8				
2017 vintage total	**7**	**410.9**	**410.9**	**429.1**				
2018: Concluded	2	130.2	130.2	149.1	15%	46%	0.4	0.4
Ongoing**	5	320.4	320.4	127.6				
2018 vintage total	**7**	**450.6**	**450.6**	**276.7**				
2019: Concluded	1	65.4	65.4	68.2	4%	44%	0.1	0.2
Ongoing**	3	203.2	203.2	129.0				
2019 vintage total	**4**	**268.6**	**268.6**	**197.2**				
Total concluded	**9**	**557.7**	**557.7**	**604.6**	8%	17%	0.6	1.0
Recoveries above deployments				46.9				
Total ongoing assets	**9**	**572.4**	**572.4**	**298.4**				
Ongoing assets: deployments less recoveries to date				274.0				

* WAL and final life are weighted by recoveries. Final life represents the time to conclusion of the matter, while WAL reflects the average time to receipt of recovered proceeds.

** Capital provision-indirect ongoing investments may receive prepayments while the case is ongoing hence generating proceeds on investments that are classified as ongoing.

Both the cash flows and the accounting for investments in our capital provision-indirect portfolio are complex, and the accounting tends to generate losses first and then gains later.

On a cash basis, we often receive significant amounts of our invested capital back before the matter concludes, derisking the asset and enhancing our IRRs.

As an accounting matter, because we typically hedge our positions to remove market risk (all we are trying to take is litigation risk), when we have an outstanding asset, both sides of the hedge flow through unrealised gains, but netting is not permitted so we show both unrealised gains and unrealised losses. However, once our traded Level 1 asset becomes a Level 3 asset as it proceeds to litigation, the gain/loss on the hedge is then realised even though the asset is not concluded but any gain/loss on the long position remains in unrealised gains. Only when the asset concludes will the gain/loss on the long move to realised gains. As a result of this accounting approach, we regularly have mismatches between realised and unrealised gains and losses, and the bulk of our reported income relates to concluded matters as opposed to ongoing ones.

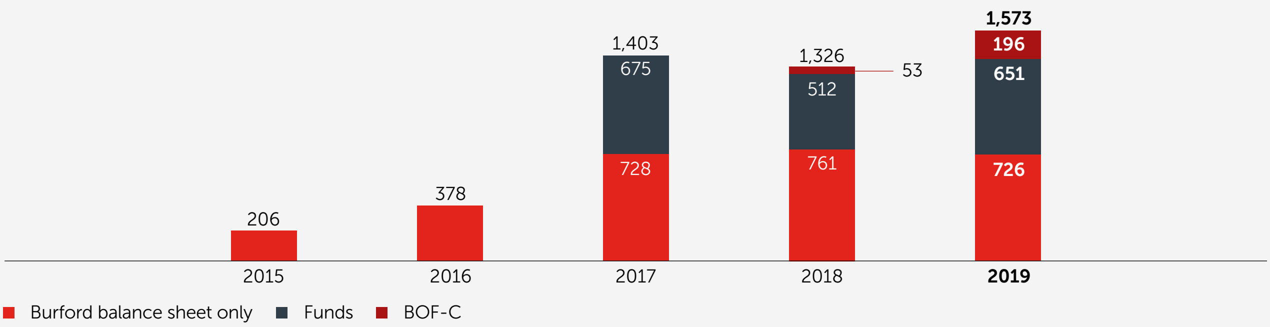
Commitments

- 19% increase in Group-wide commitments
- Exceeded $1.5 billion Group-wide for the first time

Burford builds its business by, first, making commitments to fund legal finance assets, which in turn generate deployments of our capital, followed sometime later by a realisation of our capital (through settlements, judgments or sales of our entitlement) and the return on it.

Across the Group, new funding commitments increased 19% to $1.6 billion (2018: $1.3 billion), reflecting robust demand for Burford's financing as well as the trend we have observed in recent years of rising asset sizes, a segment of the market where our scale and financial strength provides competitive advantage.

Group-wide new commitments*
($ in millions)



* Includes commitments for hedging–related assets which increased amounts for 2018 by $53 million and 2017 by $55 million over what was previously reported.

Of these new commitments, the Burford balance sheet accounted for $726 million or 46%. While Burford's balance sheet commitment remained consistent with prior years, the new Burford Opportunity Fund (BOF) and the SWF arrangement (BOF-C), both put in place in December 2018, enabled Burford to make more commitments overall. This outcome is consistent with Burford's goal of diversifying its funding sources to allow for further growth in the business while enabling the balance sheet to increase its returns without having to advance every dollar of capital. Investors may notice in the case-specific data some deviation from the investment allocation policy we announced at the time of the sovereign wealth fund transaction; the net impact of that policy is generally to have eligible legal finance assets allocated 42% to the balance sheet, 33% to the sovereign wealth fund and 25% to BOF. The reason for any deviation is generally because certain categories of legal finance assets are excluded from the sovereign wealth fund's participation for comity reasons, and when an exclusion applies, assets are instead allocated 63% to the balance sheet and 37% to BOF. From time to time other deviations may also occur among the three capital sources due to risk limits, historical participation in a prior transaction, concentration limits or other objective factors.

We anticipate that, during 2020, BOF will have become fully committed to fund assets. At that point, BOF could only take on new commitments to the degree that it has recycled capital from recoveries on prior deployed assets. When BOF becomes fully committed, BOF-C has agreed to increase its participation in each eligible transaction from 33% to 50%; as a consequence, the effective portion committed to by Burford's balance sheet will rise from 42% to 50% on those transactions.

Group-wide commitments by type entered into during the year*

($ in millions)		Group-wide total	Burford balance sheet only		BOF-C		Other funds	
Capital provision-direct	**2019**	**955**	**530**	**55%**	**196**	**21%**	**229**	**24%**
	2018	739	491	66%	53	7%	195	27%
Capital provision-indirect**	**2019**	**319**	**196**	**61%**	**–**	**0%**	**123**	**39%**
	2018	419	270	64%	–	0%	149	36%
Post-settlement	**2019**	**299**	**–**	**0%**	**–**	**0%**	**299**	**100%**
	2018	168	–	0%	–	0%	168	100%
Total	**2019**	**1,573**	**726**	**46%**	**196**	**13%**	**651**	**41%**
	2018	1,326	761	57%	53	4%	512	39%

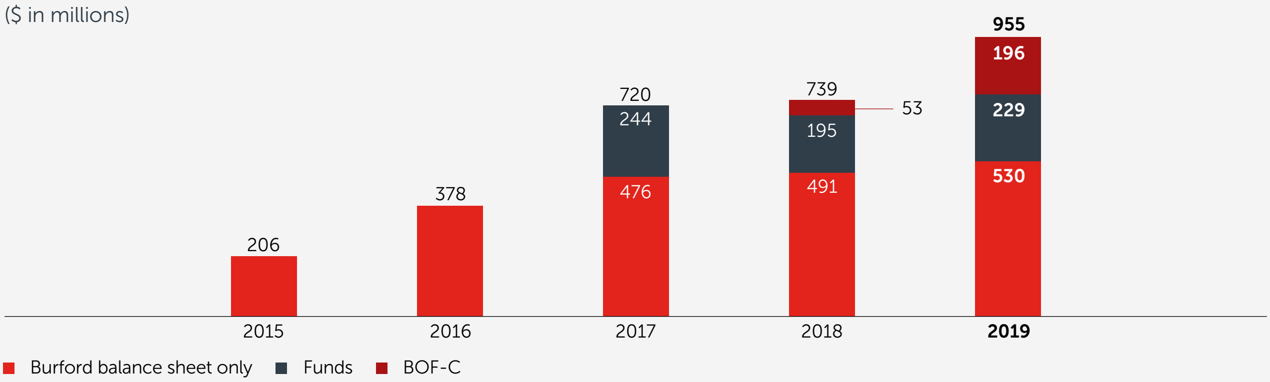
* The following adjustments to the 3 February 2020 Trading Update Commitments table can be made to reconcile to this table: (1) Core Litigation Finance and Asset Recovery plus $12 million in Complex Strategies commitments are combined into capital provision-direct; (2) Complex Strategies becomes capital provision-indirect less $12 million in commitments that are included in capital provision-direct.

** Includes commitments for hedging-related assets, which increased amounts for 2018 by $53 million from what was previously reported.

Capital provision-direct

Commitments to fund legal finance assets where we provide our capital directly grew 29% in 2019, fuelled by continued strong demand for capital across our range of offerings, including an increase in corporate monetisations. During 2019, we committed to eight such monetisations in excess of $10 million. Capital provision-direct commitment growth in 2019 continued a multi-year trend of robust increases in commitments in this area.

Capital provision-direct new commitments
Group-wide
($ in millions)



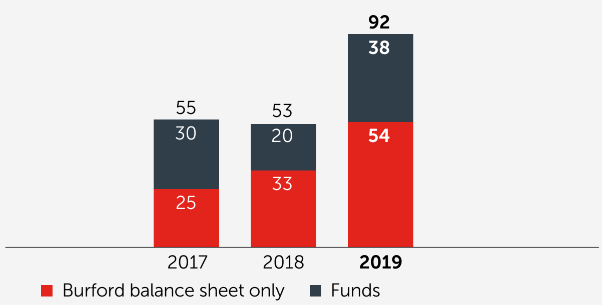
Capital provision-indirect

New commitments in our capital provision-indirect portfolio declined because the Strategic Value investment fund through which we make those commitments was largely fully committed for much of the year, constraining its ability to make new commitments. When the fund had resolutions during the year that freed up capacity, that capacity was soon committed again.

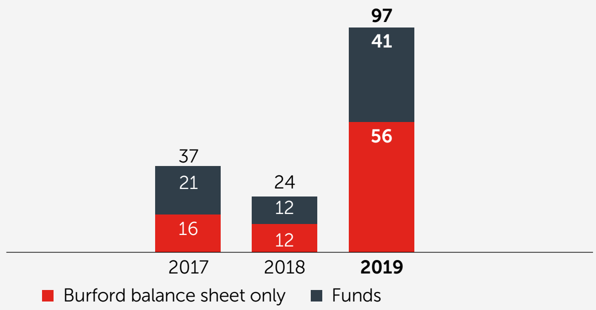
When we raised the Strategic Value fund in June 2017, it closed with $500 million in investor commitments, including a $150 million commitment from the Burford balance sheet. The Strategic Value fund structure allows limited partners to opt in or out of each specific investment, and we are able to scale the balance sheet participation to absorb some of those opt-outs if desired. In addition to our original commitment, we have the opportunity to take investment overages when available, which we have exercised. Burford's balance sheet is now the largest investor in the fund, with $184.6 million invested at 31 December 2019 out of total fund assets on that date of $289.5 million.

As noted elsewhere, in the strategy that we conduct in the Strategic Value fund that presently comprises the entirety of the capital provision-indirect portfolio, we typically hedge away market risk. The margin we are required to post against those hedges is included in the due from brokers line in our consolidated statement of financial position; it does not run through the capital provision assets line on the balance sheet. Prior to 2019, we had not included margin cash flows in our commitments, deployments or realisations from these assets. Beginning in 2019, we now include those margin cash flows in these statistics for our capital provision-indirect assets to more accurately represent the cash flows in that strategy. Those margin cash flows were not included in Burford's 2018 and prior reporting; we have adjusted the commitments, deployments and realisations statistics in this financial and operational review to reflect hedging-related assets for 2018 and 2017. The impact of these hedging-related assets on these statistics can be seen from the charts below.

Hedge/margin commitments/deployments
($ in millions)



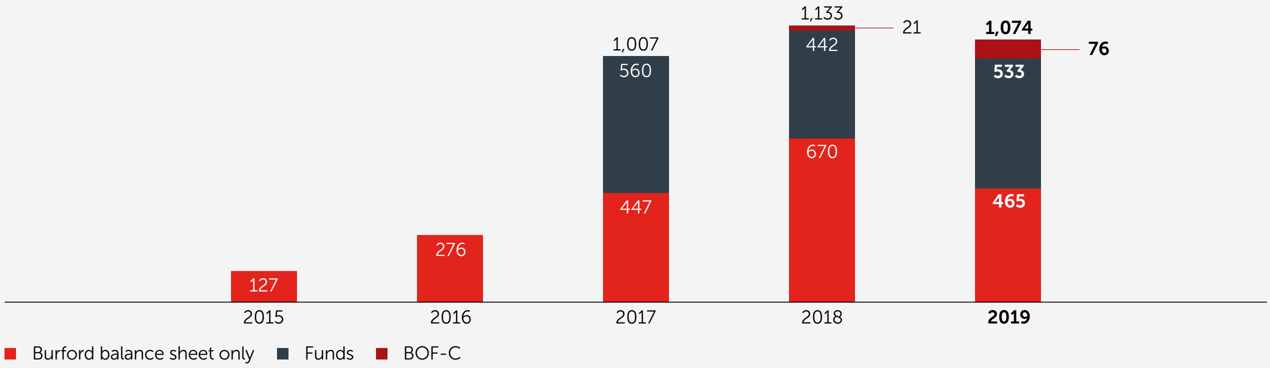
Hedge/margin realisations/proceeds
($ in millions)



Deployments

- Another year of deployments above $1 billion Group-wide

Group-wide new deployments – all types
($ in millions)



Note: Includes deployments for hedging-related assets which increased amounts for 2018 by $53 million and 2017 by $55 million over what was previously reported.

Group-wide deployments by type*

($ in millions)		Group-wide total	Balance sheet		BOF-C		Other funds	
Capital provision-direct	**2019**	**501**	**269**	**54%**	**76**	**15%**	**156**	**31%**
	2018	554	366	66%	21	4%	167	30%
Capital provision-indirect**	**2019**	**319**	**196**	**61%**	**–**	**0%**	**123**	**39%**
	2018	419	304	73%	–	0%	115	27%
Post-settlement commitments	**2019**	**254**	**–**	**0%**	**–**	**0%**	**254**	**100%**
	2018	160	–	0%	–	0%	160	100%
Total	**2019**	**1,074**	**465**	**43%**	**76**	**7%**	**533**	**50%**
	2018	1,133	670	59%	21	2%	442	39%

* The following adjustments to the 3 February 2020 Trading Update Deployments table can be made to reconcile to this table: (1) Core Litigation Finance and Asset Recovery plus $12 million in Complex Strategies deployments are combined into capital provision-direct; (2) Complex Strategies becomes capital provision-indirect less $12 million in deployments that are included in capital provision-direct.

** Includes deployments for hedging-related assets, which increased amounts for 2018 by $53 million from what was previously reported.

Capital provision-direct

Group-wide capital provision-direct deployments in 2019 were consistent with 2018.

Burford experienced in 2019 the first full year of deployments against the revised capital allocation framework we announced in December 2018 after concluding a new funding arrangement with a sovereign wealth fund and third-party institutional investors in BOF. As such BOF and BOF-C played a significant role in funding deployments in the period, so that the balance sheet only accounted for 54% of capital provision-direct deployments during 2019 compared to 66% in 2018. If the balance sheet had comprised a similar percentage of the overall deployments as in 2018, Burford-only total deployments during 2019 would have been $527 million, or 13% higher than they actually were. Given the attractive economics of these third-party funding structures, especially the BOF-C arrangement where we receive 60% of investment profits while investing 33% of the investment capital, we believe that our Burford-only profitability will ultimately be higher despite the lower level of balance sheet deployments.

Capital provision-indirect

Since deployments in our capital provision-indirect portfolio tend to occur at or shortly after the time of commitment, the lower level of 2019 commitments in this area also led to a lower level of deployments than in 2018.

Data reconciliation

The following table provides investors with further information on how data from this section is related to data in the financial statements notes and website tables

Reconciliation between financial statements and deployments/(additions) table

2019 Item	$'000	Source/Comment
Consolidated cash flow:		
Capital provision assets—funding	562,018	From consolidated statement of cash flows
less: elimination of third party interests	(173,196)	From FS note 6 - additions
Burford-only total additions	388,822	Sum of capital provision-direct and indirect additions in FS Note 6
Additions:		
Capital provision-direct	272,016	From FS note 6 - additions
less: warehousing deployments	(12,362)	Deployments on assets held by Burford temporarily pending transfer to a managed fund
plus: refinancing additions	9,221	Deployment on re-financed asset treated as a restructuring under IFRS standards
Adjusted capital provision-direct additions:	**268,875**	Table on page 51: $269 million of capital provision-direct balance sheet deployments
Capital provision-indirect	116,806	From FS note 6 - additions
plus: cash from margin/hedging	53,845	Deployments from hedging/margin transactions in the due from/to brokers lines of the balance sheet (see chart on page 50)
plus: deployments held at fund level	25,000	Balance sheet portion of deployments made at fund level but not yet allocated to LPs by period end
Adjusted capital provision-indirect additions:	**195,651**	Table on page 51: $196 million of capital provision-indirect balance sheet deployments
Total balance sheet additions:	**464,526**	Table on page 51: $465 million of total balance sheet deployments

Reconciliation of deployments to change in deployed costs in the asset data tables:

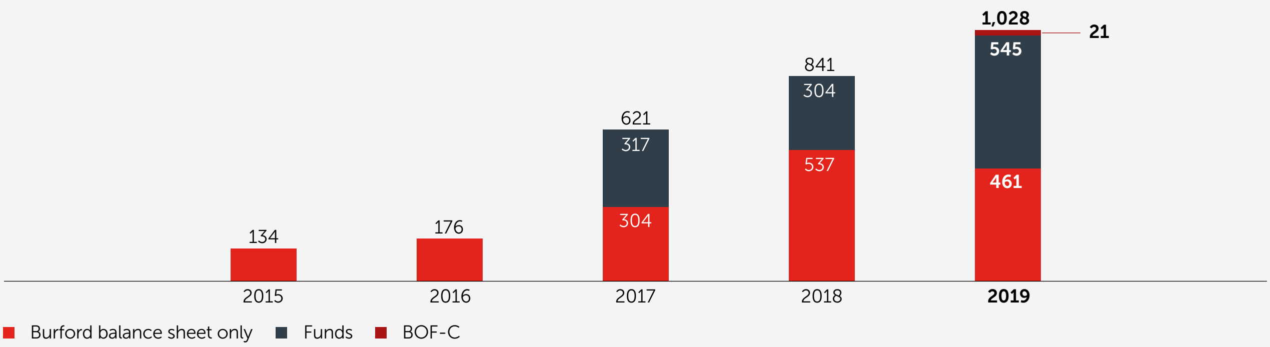
2019 Item	$'000	Source/Comment
From the asset data tables:		
Deployed cost:		
Capital provision-direct at YE2019	1,548,951	Total deployed cost from capital provision-direct asset performance table on page 44
less deployed cost on core balance sheet litigation finance:		
concluded investments at YE2018	(555,002)	Investment performance table on page 20 of 2018 Annual Report
ongoing investments at YE2018	(644,554)	Investment performance table on page 20 of 2018 Annual Report
less deployed cost on asset recovery investments:		
concluded investment at YE2018	(10,728)	Investment performance table on page 39 of 2018 Annual Report
ongoing investments at YE2018	(35,500)	Investment performance table on page 39 of 2018 Annual Report
less deployed cost on complex strategies assets	(34,273)	Prior complex strategies assets now included in capital provision-direct
Change in deployed cost during 2019 on capital provision-direct assets	**268,875**	Foots to adjusted capital provision-direct additions from above table

Realisations

- Group-wide realisations up 22%

Burford considers a legal finance asset to be concluded where there is no longer any litigation risk remaining, either because of an agreed settlement or a final judgment. Upon conclusion, Burford records the legal finance asset, including both capital and return, as having been realised. At that point, we book the amount due to us for our capital and return as either cash or a due from settlement receivable. Cash from realisations during the year net of any change in due from settlement receivables comprises our cash proceeds for the period.

Group-wide realisations
($ in millions)



Note: Includes realisations from hedging related assets, which increased amounts for 2018 by $24 million and for 2017 by $37 million from what was previously reported.

Group-wide realisations by type*

2019 (2018)
($ in millions)

		Group-wide total	Balance sheet		Other funds		BOF-C	
Capital provision-direct	**2019**	**354**	**228**	**64%**	**105**	**30%**	**21**	**6%**
	2018	381	321	84%	60	16%	–	0%
Capital provision-indirect*	**2019**	**424**	**233**	**55%**	**190**	**45%**	**–**	**0%**
	2018	338	216	64%	122	36%	–	0%
Post-settlement	**2019**	**250**	**–**	**0%**	**250**	**100%**	**–**	**0%**
	2018	122	–	0%	122	100%	–	0%
Total	**2019**	**1,028**	**461**	**45%**	**545**	**53%**	**21**	**2%**
	2018	841	537	64%	304	36%	–	0%

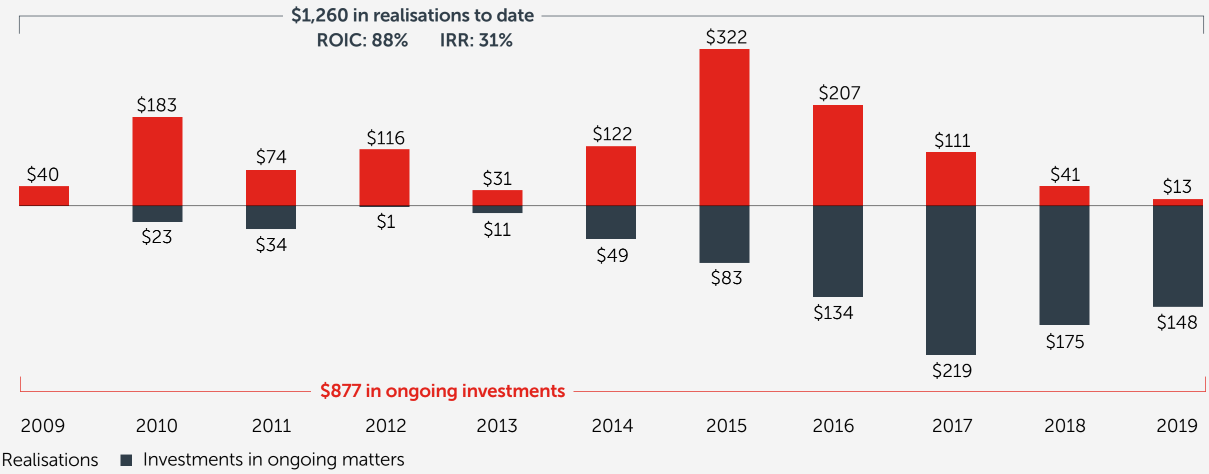
* Includes realisations from hedging positions, which increased amounts for 2018 by $24 million from what was previously reported.

Capital provision-direct

Since inception, from our capital provision-direct assets on our balance sheet, we have generated $1.3 billion in realisations from 117 concluded or partially concluded assets which had a deployed cost of $672 million, while we have $877 million in capital deployed in ongoing assets.

Note that we continue to have a small number of ongoing assets in our older vintages. Given that we do not conclude our assets until there is no longer any litigation risk remaining and that adjudications can take a long time, this is not surprising. Some of these longer-dated assets may turn out to be successes. Others could be losses. We will not know until legal activity concludes.

Capital provision-direct realisations by vintage
Burford balance sheet only
($ in millions)



Realisations in capital provision-direct in 2019 were down 7% compared with the prior year. As with deployments, we saw a skew towards Burford's investment funds, with balance sheet realisations from capital provision-direct assets declining 29% while investment fund realisations increased by 75%.

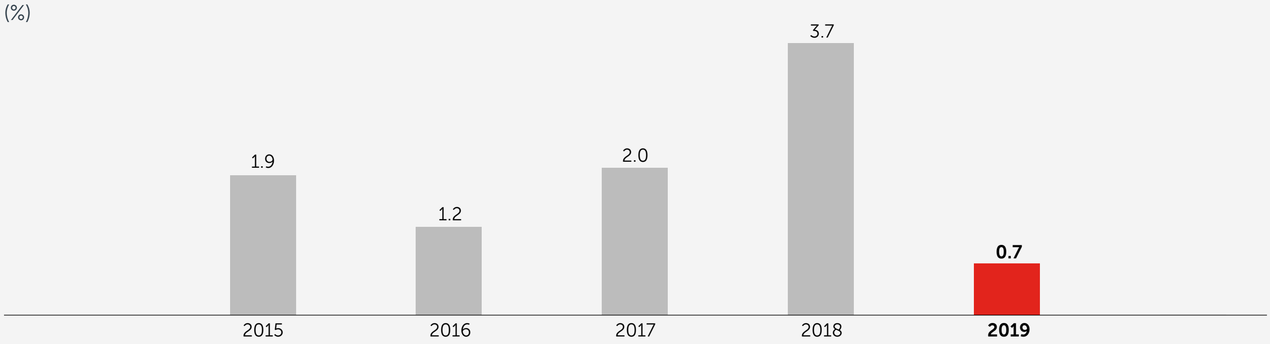
From our perspective, much of the volatility in capital provision-direct realisations is a timing issue. As we have long made clear, we can neither predict nor control the timing of the generation of litigation returns. We finance large, complex commercial claims. Our realisations come from their resolution. There is no "normal" for such claims; they are inherently idiosyncratic. We have had cases resolve in less than a week, and we have matters from 2010 still going strong. That is the opportunity in our business and it is why we are able to generate the returns we have historically delivered. We saw several drivers behind this timing issue in 2019:

- Our portfolio consists of a relatively small number (151) of assets. Although a number of these assets (such as portfolio matters) have multiple cases underlying them, the timing of realisations on those assets is idiosyncratic and unpredictable, depending as it does on the legal process. As a consequence, it is entirely possible that we can go through a reporting period with relatively little realisation activity even while the investment cases are progressing in a favourable manner.
- Certain types of cases take longer to mature than others; international arbitration and intellectual property cases in particular can take quite a while to work through the legal process. As our mix of cases changes from vintage to vintage, this can impact the expected life and realisation timing from that vintage. Since our pricing is designed to maintain our overall return levels even if a case takes longer to pursue, we are largely indifferent to longer case lives.

- This idiosyncratic timing is also exacerbated by the relatively young overall life of our portfolio. Burford saw a dramatic increase in commitments beginning in 2017. Deployments on that and subsequent vintages occur with a lag; based on our concluded case history, it typically takes six months from initial commitment to have capital deployed on average and 1.5 years to have it fully deployed. Then, from the point of average deployment, it takes 2.3 years on average (weighted by recoveries) for realisation, meaning that a 2017 vintage commitment wouldn't be expected to turn into a realisation for three years on average—and there are significant deviations from the mean.

Despite the modest level of realisations from our capital provision-direct portfolio, we were pleased with the progress during 2019 of a number of our cases and look forward to favourable results as the portfolio continues to mature. Burford posted less than $6 million in realised losses on cases concluded during 2019. As a percentage of average capital provision-direct assets at cost during the year, that represented 0.7%, lower than in any year since our first full year of operations. We don't present this as a trend, but rather as affirmation that 2019 was simply a quiet year.

Capital provision-direct realised losses as a % of average portfolio
Burford balance sheet only
(%)



Capital provision-indirect

Group-wide realisations from our capital provision-indirect assets rose 25% in 2019, again demonstrating the lower risk and shorter duration of those investments.

Data reconciliation

The following table provides investors with further information on how data from the tables in this section relate to data presented in the FS notes and the website data tables.

Reconciliation between financial statements and realisations/recoveries

2019 Item	$ 000	Source/Comment
Consolidated realisations:		
Capital provision assets	539,359	From FS note 6 - realisations
less: elimination of third-party interests	(143,679)	From FS note 6 - realisations
Burford-only total realisations	395,680	Sum of capital provision-direct and indirect realisations in FS note 6
Realisations:		
Capital provision-direct	218,807	From FS note 6 - realisations
plus: interest and other income	128	From FS note 6
plus: refinancing realisations	9,221	Realisation on re-financed asset treated as a restructuring under IFRS standards
Adjusted capital provision-direct realisations:	**228,156**	Table on page 53: $228 million capital provision-direct realisations on balance sheet
Capital provision-indirect	176,873	From FS note 6 - realisations
plus: cash from margin/hedging	56,194	Proceeds from hedging/margin transactions in the due from/to brokers lines of the balance shee as per chart on page 50
Adjusted capital provision-indirect additions:	**233,067**	Table on page 53: $233 million capital provision-indirect realisations on balance sheet
Total balance sheet realisations:	**461,223**	Table on page 53: $461 million total realisations on balance sheet

Reconciliation of realisations to change in recoveries in the asset data tables:

2019 Item	$ 000	Source/Comment
From the asset data tables:		
Recoveries:		
Capital provision-direct at YE2019	1,260,338	Total investment recoveries from capital provision-direct asset performance table on page 44
less: core balance sheet litigation finance investment recoveries at YE2018	(1,027,313)	Investment performance table on page 20 of 2018 Annual Report
plus: post conclusion recovery adjustments	16,248	Additions/subtractions to recoveries based on actual collection of due from settlement assets
plus: warehousing realisations	33,078	Realisations from assets held by Burford temporarily pending transfer to a managed fund, as discussed in FS note 6
less: asset recovery investment recoveries at YE2018	(18,727)	Investment performance table on page 39 of 2018 Annual Report
less: recoveries on complex strategies assets	(35,468)	Prior complex strategies assets now included in capital provision-direct
Change in deployed cost during 2019 on capital provision-direct assets	**228,156**	Foots to adjusted capital provision-direct realisations from above table

Realisations in the financial statement results

Financial results from capital provision asset realisations are presented on the face of the financial statements as well as in several of the notes. Note 6 to the financial statements presents movements in the capital provision portfolio during the year, including deployments (additions) and realisations. The following presents the roll-forward from Note 6 from 1 January 2019 to 31 December 2019 of the components of changes in Burford's balance sheet only capital provision asset portfolio.

	Burford-only $'000	Burford-only capital provision-direct $'000	Burford-only capital provision-indirect $'000
At 1 January 2019	1,521,591	1,289,548	232,043
Additions	388,822	272,016	116,806
Realisations	(395,680)	(218,807)	(176,873)
Income for the period	314,700	302,075	12,625
Transfer to investment subparticipation	4,459	4,459	–
Foreign exchange losses	98	98	–
At 31 December 2019	**1,833,990**	**1,649,389**	**184,601**

In total, the capital provision portfolio on the balance sheet was largely self-funding during 2019, with realisations modestly exceeding additions. The indirect portfolio saw more realisations than additions, while the direct portfolio was in a net addition position. Note that Burford sold a participation in an asset during 2019 that, for accounting purposes, was recorded as a realisation but included back in the portfolio as a subparticipation of $4.5 million; no gain was realised on this transaction. Also included in capital provision-direct realisations during 2019 were $33 million of proceeds received from managed funds for transactions that were warehoused by the balance sheet prior to transfer to the funds. Capital provision-direct realisations do not include $9 million in proceeds received from an asset refinancing which was treated as a restructuring under IFRS standards.

The following table presents the components of income related to the Burford-only capital provision portfolio during 2019.

31 December 2019	Burford-only total $'000	Burford-only capital provision-direct $'000	Burford-only capital provision-indirect $'000
Realised gains/(losses) relative to cost	128,424	120,522	7,902
Previous unrealised (gains)/losses transferred to realised gains/(losses)	(79,285)	(79,424)	139
Fair value adjustment in the period	265,561	260,977	4,584
Income on capital provision assets	**314,700**	**302,075**	**12,625**
Interest and other income	128	128	–
Impairment of receivable	(4,083)	(4,083)	–
Realised gain on derivative financial liabilities	7,000	7,000	–
Loss on financial liabilities at fair value through profit and loss	(405)	(405)	–
Loss on equity security (note 7)	(553)	(553)	–
Loss on investment subparticipation	(7)	(7)	–
Total capital provision income	**316,780**	**304,155**	**12,625**

During 2019, Burford recorded significant realised gains and an even greater level of unrealised gains in its capital provision assets, with most of those gains occurring in the direct portfolio. During the year, Burford also recognised $7 million of income on an expiring derivative associated with an asset that concluded in 2018. During 2019, we recorded impairments of $4 million, of which $3 million was related to an intellectual-property-related receivable that we had received in settlement of a matter in which the inventor's death reduced its value and $1 million was related to an asset from a discontinued business line that was transferred to other assets. As noted previously, realised gains in the indirect portfolio relate to concluded assets during the period. Although significant amounts were recovered on ongoing indirect assets as well, gains are not realised on these assets until they are concluded. Note that the fair value adjustment in the indirect portfolio largely pertains to interest accrued on proceeds owed to Burford on certain assets.

Due from settlement receivables

- Outstanding receivables below $20 million at year end 2019

When the underlying case has been concluded and a legal finance asset has been realised, we book the amount due to us for our capital and return as a due from settlement receivable. In a substantial majority of situations, we are due cash and our receivable is typically paid within the reporting period. In a small number of cases (typically where our client does not receive cash for the settlement or judgment), we receive non-cash consideration, such as stock or some form of debt such as a mortgage or a loan. The bottom line is that we are usually paid rapidly and in cash, and exceptions are outliers.

Due from settlement receivables

Capital provision-direct
Burford balance sheet only

For concluded (fully and partially) assets since inception as of 31 December 2019	Realisations $'000	% Realisations
Cash receivables:		
Paid within the same annual period	1,068,771	85%
Paid within 30 days of period end	21,300	2%
Paid by the end of the next annual period	83,130	7%
Paid in longer than one year	23,866	2%
Current outstanding receivable	18,989	1%
Non-cash consideration received:		
Debts monetised into cash	43,658	3%
Stock monetised into cash	624	0%
	1,260,338	

Capital provision-indirect
Burford balance sheet only

For concluded (fully and partially) assets since inception as of 31 December 2019	Realisations $'000	% Realisations
Cash receivables:		
Paid within the same annual period	451,468	100%
Paid within 30 days of period end	1,592	0%
	453,060	

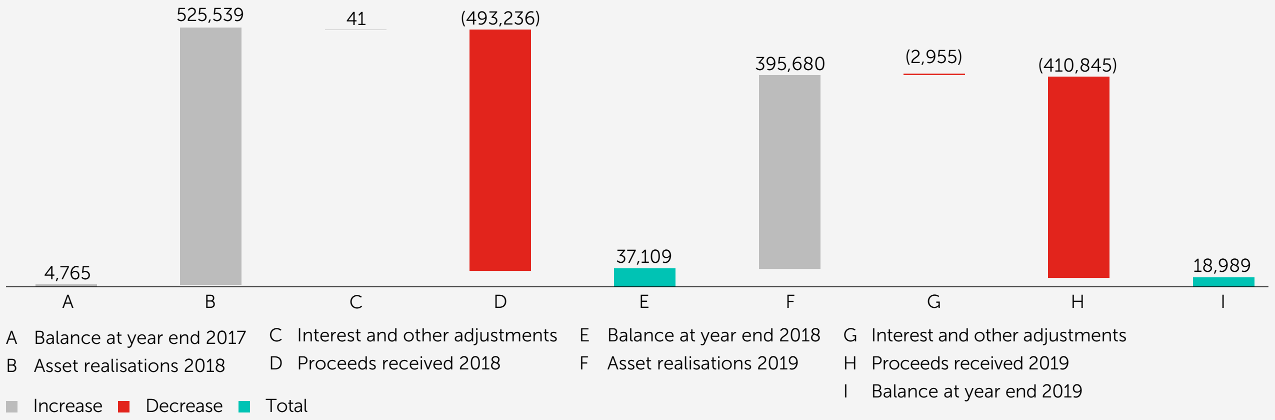
At 31 December 2019, Burford had on its balance sheet:

- $19 million of due from settlement receivables outstanding of which $4.5 million had been outstanding at 30 June 2019
- $29,000 of non-cash due from settlement assets on its books

Receivables from due from settlement of concluded legal finance assets were significantly lower than at 30 June 2019 when an unusually high amount of receivables of $173 million were on the books arising from a significant amount of legal finance asset realisations that had occurred immediately prior to the end of the first half. All but approximately $35 million of those receivables were paid down during the third quarter of 2019; all but approximately $5 million were paid down by year end 2019.

As due from settlement receivables are collected, they generate cash proceeds for Burford.

Capital provision due from settlements 2017 to 2019
Burford balance sheet only
($ in millions)



Fair value

- YPF-related assets are major driver of fair value
- Other fair value adjustments remain modest

Burford holds legal finance assets at invested cost until there is some objective event in the underlying litigation that would cause a change in value, whereupon we are required under IFRS to reflect the market impact (up or down) of that objective event through a fair value adjustment.

Applicable accounting standards

The relevant accounting standards provide:

IAS 32 — Financial instruments presentation defines a financial asset as any asset that is a contractual right to receive cash or another financial asset from another entity. The ability to exercise a contractual right may be absolute, or it may be contingent on the occurrence of a future event. Burford's legal finance assets generally fall squarely within the definition of a financial asset.

IFRS 9 requires financial assets to be carried at (i) amortised cost, (ii) fair value through other comprehensive income, or (iii) fair value through profit and loss. However, the first two of those three options require that the contractual terms must give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. Burford's assets generally do not meet this condition and accordingly they are required to be measured at fair value through profit and loss. This is not an option for Burford; it is an IFRS requirement.

Fair value process

Each Burford asset has a Burford professional who "owns" the asset. That owner monitors the asset on an ongoing basis and provides monthly commentary about developments as part of a global reporting framework which is supplied to senior management. A full confidential report on the status of each asset is prepared each quarter and provided to senior management and the full Burford Board of Directors along with overall portfolio and risk reporting. At each half year, asset developments that could give rise to valuation changes are also flagged at the management level and rolled up for consideration by senior management and ultimately by Burford's Valuation Committee pursuant to Burford's valuation policy. In 2019, the Valuation Committee consisted of the CEO, CIO, CFO, and the two senior executives who oversee the core legal finance teams in the US and in the rest of the world. The entire valuation process is overseen by the Burford Board's Audit Committee. Asset valuations are within the scope of the interim review and the annual audit performed by the auditors in accordance with the relevant standards; the auditors engage their specialty valuation team and have access to outside counsel.

Valuation policy

Burford operates under a valuation policy that emphasises clarity and certainty and relies on objective events to drive valuation changes.

For the vast majority of our legal finance assets, the objective events considered under the fair value policy relate to the litigation process. When the objective event in question is a court ruling, Burford discounts heavily the potential impact of that ruling commensurate with the remaining litigation risk. Our policy assigns valuation changes in fixed ranges based on, among other things:

- a significant positive ruling or other objective event but where there is not yet a trial court judgment
- a favourable trial court judgment
- a favourable judgment on the first appeal
- the exhaustion of as-of-right appeals
- in arbitration cases, where there are limited opportunities for appeal, issuance of a tribunal award

The policy also calls for markdowns when there are objective negative events at various stages in a litigation.

In a small number of instances, we have the benefit of a secondary sale of a portion of an asset. When that occurs, we factor the market evidence into our valuation process; the more robust the market testing of value is, the more weight we accord to the market price.

Fair value data

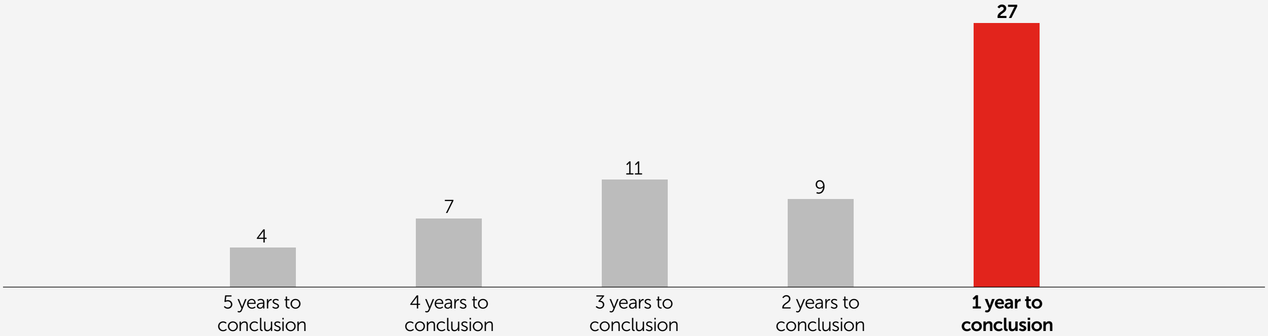
Burford has a long history of modest fair value gains that have had a high degree of reliability in turning into realised gains.

In its entire 10-year history, Burford has only taken a total of $134 million of annual fair value adjustments (gains net of any losses) on its capital provision-direct portfolio excluding fair value gains on YPF-related assets. Of those fair value gains, only $38 million remain on Burford's balance sheet today. Burford has only ever had one investment written up by more than $1 million that resulted in an eventual loss. Put simply, Burford recognises relatively little unrealised gain in its core legal finance portfolio and awaits realised gains for most of its income. Setting aside YPF-related assets, it should be noted that from the total pool of assets on which it took those cumulative $134 million in annual fair value adjustments, Burford has generated over $1 billion of recoveries and over $350 million in gains.

For the vast majority of our legal finance assets, where fair value is based on objective events in the legal process, valuation changes have typically been both late in the life of the asset, as the legal process draws to a more certain conclusion, and modest in amount.

The chart below illustrates both of these points. This chart shows the cumulative fair value adjustment on average across our fully concluded capital provision-direct assets as a percentage of the ultimately realised value of the asset. What the chart shows is that, on average, our fair value adjustment was only 4% of the ultimately realised value five years before the time of realisation, growing to 27% of realised amount on average one year prior to realisation.

Timing and quantum of fair value changes of fully concluded capital provision-direct portfolio
Burford balance sheet only
(%) FV mark as a % of ultimately realised asset



Further evidence of the reasonableness of our fair value approach can be found by examining how our fair value marks compared with realised amounts in our concluded capital provision-direct assets to date.

- 33% of profit on successes taken as fair value gains
- 49% of losses taken as fair value write downs

Realised profits/(loss) of fully concluded capital provision-direct assets
Burford balance sheet only

($ in millions)	Percent*	Total realised profit/(loss)	Total FV write-ups/downs	FV mark % of realised profits /(loss)	Number of assets
Profit > $1.0m	85%	382.9	125.3	33%	44
Losses > $1.0m	15%	(66.3)	(32.6)	49%	16
Results < $1.0m**	0%	(0.3)	(0.9)	N/A	24
Total concluded	**100%**	**316.3**	**91.8**	**29%**	**84**

* Dollar-weighted by gain or loss

** These 24 investments had realised profits/(loss) and fair value write ups/downs of less than $1 million both individually and in the aggregate

However, this general approach to fair value has been disrupted by Burford's YPF-related assets–its financing of the Petersen and Eton Park claims. Burford has sold 38.75% of its interest in the proceeds of the Petersen claim for $236 million in cash in a series of third-party transactions over the past three years. As those transactions have increased in size and number of participants, they have become increasingly relevant to the fair value of the YPF-related assets under the accounting standards, and they have obliged Burford to record meaningful amounts of unrealised gain given the significant acceleration in implied value from the transactions.

Burford's most recent sale of a portion of its proceeds of its Petersen entitlement in June 2019 was part of a $148 million placement to a number of institutional investors*, of which Burford sold $100 million and other third-party holders sold the remaining portion. Given the size of this latest sale and the participation of a meaningful number of third-party institutional investors, Burford has concluded that its YPF-related assets at year end 2019 should be appropriately marked solely based on this market transaction without including in its consideration of fair value any litigation-related information. This does not imply that these assets will henceforth be carried based on trading in the secondary market for the Petersen interests.

As a consequence, and as an exception to the usual rule that Burford cannot disclose individual matters' fair values given the use of privileged and protected information in the assessment of those values, Burford can disclose the following information to assist investors in understanding the impact of the YPF-related assets:

- The carrying value of Burford's YPF-related assets on its balance sheet (both Petersen and Eton Park combined) was $773 million at 31 December 2019 including $734 million of unrealised gain
- During 2019, the capital provision income from the YPF-related assets was $188 million, consisting of realised gains relative to cost of $98 million, previous unrealised gains transferred to realised gains of $(78) million and fair value adjustment in the period of $168 million

Otherwise, as explained elsewhere in this report, in order to protect client confidentiality and legal privilege, Burford cannot provide its fair value valuations on individual legal finance assets, nor can we provide data that would allow inference of those valuations.

Burford's YPF-related assets have been clear successes to date. From an investment on its balance sheet of less than $50 million, Burford has realised cash proceeds of $236 million and has assets on its books at 31 December 2019 with a fair value of $773 million representing in total over $1 billion in realised and unrealised value to date.

* Although we do not disclose transactions of our managed funds given confidentiality restrictions, press reports have suggested that BOF was one of these institutional investors, purchasing $30 million in the placement. If any such transaction were to have occurred between Burford and one of its funds, it would only have been with the approval of the Fund's Limited Partner Advisory Committee and at a price set by the other third-party investors. Indeed, the press reporting also noted that (i) the Limited Partner Advisory Committee in a Burford fund made the decision to participate in the Petersen sale; (ii) Burford did not - and could not, under US law - make the investment decision for the LPs; they made it on their own; and (iii) there was more than enough demand to close a full-sized Petersen deal without any fund participation.

The tables below show the proportion of unrealised gains contained in our balance sheet asset and illustrates that the bulk of these gains are related to our YPF-related assets.

The table below breaks down our historical fair value gains into "gross" and "net," showing each year our total balance sheet fair value component and the division of the year's movements into new unrealised gains and the reversal of prior years' gains as matters turn into realised gains.

Unrealised gains on capital provision assets (direct and indirect) on Burford's balance sheet

($ in millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**	Total
Unrealised gain as at 1 January		4	8	18	41	60	82	169	352	**590**	
FV adjustment in the period	4	8	10	29	18	40	100	233	315	**265**	1,022
Previous unrealised (gains)/ losses transferred to realised (gains)/losses	–	(4)	–	(6)	1	(18)	(13)	(50)	(77)	**(79)**	(246)
FV movement (net of transfers to realisations)	4	4	10	23	19	22	87	183	238	**186**	776
Unrealised gain as at 31 December	4	8	18	41	60	82	169	352	590	**776**	

Since the beginning of 2015, YPF-related assets accounted for:

$878 million in fair value adjustments, less

$144 million in previous unrealised gains transferred to realisations, resulting in

$734 million in fair value movement net of transfers

Summary of components of carrying value at 31 December 2019
Burford balance sheet only

($ in millions)	Deployed Cost	Unrealised Gain	Carrying Value
Capital provision direct:			
YPF-related assets	39	734	773
Other assets	838	38	876
Total:	877	772	1,649
Capital provision indirect:	181	4	185
Total capital provision assets:	1,058	776	1,834

YPF-related assets

- Provided funding for future growth and returns
- Generated over $1 billion in value for Burford to date

Burford is constrained from discussing ongoing matters for a number of reasons:

- Clients tend not to wish their litigation to be discussed publicly, and we are generally subject to contractual confidentiality obligations to our clients
- Burford is regularly the recipient of information subject to various litigation privileges, and would risk waiving our clients' protection should we discuss such information (or anything derived from it)
- Courts and tribunals universally dislike public statements about ongoing matters, and often forbid them—and much as we appreciate investor interest, we think it is better to win cases and not anger judges than meet investor demand for mid-case updates

We are, however, able to say somewhat more about our YPF-related claims simply because of the substantial amount of material about those claims that is freely in the public domain, although we are constrained from discussing legal strategy or anticipating future events.

Burford has funded two claims relating to Argentina's renationalisation of YPF, the Argentine energy company. Both are claims by significant former YPF shareholders that YPF and Argentina breached their obligations under YPF's by-laws to buy out all other shareholders when Argentina renationalised YPF by expropriating a majority of its shares. According to YPF's by-laws, Argentina was required to tender for the 49% of shares that it did not expropriate when it re-took control of YPF in 2012. YPF's by-laws set out a formula for calculating the price that Argentina should have paid for those shares. The formula is objective and relies on inputs such as corporate earnings and historical share trading prices. Specifically, the relevant formula calculates share value by taking the highest P/E ratio over the two years prior to Argentina providing notice of the expropriation and multiplying it by the last twelve-month earnings.

- If one uses as the operative date the moment when Argentina notified the public that it was planning to expropriate YPF shares (January 2012) the value of the Petersen shares under the formula exceeds $9 billion
- Defendants might argue that the court should instead use the date when Argentina actually took control of the company several months later (April 2012) to try to reduce the value of Petersen's shares below $6 billion

The date selected may not be the only variable that would go into the calculation of damages; other factors might include such matters as an addition for pre-judgment interest running from 2012. We do not mean to address all the variables or engage in an exhaustive damages analysis in this forum, but rather simply to show how a mechanical application of the by-laws might work. Naturally, litigation must be evaluated on the basis of a possible discounted settlement, but here Repsol's experience is instructive, as Argentina settled with Repsol (whose 51% YPF ownership stake Argentina expropriated in 2012) for around 50 cents on the dollar of equity value.

Burford has two assets based on claims relating to Argentina's renationalisation of YPF:

The first is with respect to claims brought by two Spanish companies, both in insolvency proceedings (the Petersen companies, or "Petersen"), which owned about 100 million YPF shares prior to its renationalisation.

- Burford has thus far invested $20.2 million in the Petersen claims
- Burford is entitled to 70% of the proceeds recovered from the Petersen claims, less contracted amounts due to law firms
- Burford therefore expects to retain 58-59% of proceeds net of those expenses
- Burford has already sold 38.75% of its entitlement in the Petersen claims to other investors for total cash proceeds of $236 million
- Burford is contractually obliged to retain a majority interest in its entitlement throughout the pendency of the case

The second is with respect to claims brought by Eton Park, a major US hedge fund, which owned about 12 million YPF shares prior to its renationalisation.

- Burford has thus far invested $26 million in the Eton Park claims, which are essentially identical to the Petersen claims and following the same US litigation path
- Burford is entitled to approximately 75% of the proceeds recovered from the Eton Park claims
- Burford has not sold any of its interest in the Eton Park matter

Both the Petersen and the Eton Park claims against Argentina and YPF are pending in US federal court in the Southern District of New York, the same court in which Repsol brought its claims against Argentina over the YPF renationalisation.

Over the past several years, Argentina and YPF have been focused on collateral matters in the Petersen litigation and have been trying to avoid the jurisdiction of the US courts by invoking a piece of US legislation, the Foreign Sovereign Immunities Act ("FSIA"), which regulates when foreign sovereigns may be sued in US court. Petersen won on the application of the FSIA before the trial court, meaning that the trial court would retain the case and proceed with the underlying litigation. Argentina and YPF appealed that decision to the intermediate appellate court, the US Court of Appeals for the Second Circuit, which they were entitled to do as of right. A three-judge panel of the Second Circuit rejected the appeal in July 2018. Argentina and YPF then petitioned all 13 judges of the Second Circuit to hear the case all together, which they rapidly and unanimously declined to do, without even calling for a response from Petersen. That brought to an end Argentina's appeals as of right. However, Argentina asked the Supreme Court of the United States, the highest court in the US, to hear its further appeal on the FSIA issues. The Supreme Court called for the views of the Solicitor-General of the United States, which recommended against the Court hearing the case. In June 2019, the US Supreme Court rejected the case, ending the FSIA arguments permanently. The case has now returned to the trial court for merits proceedings. Argentina and YPF have answered the case and the trial-level litigation process is ongoing.

In the context of these claims, weakness in Argentina's currency should be irrelevant—Petersen and Eton Park held US dollar-denominated ADRs traded on the New York Stock Exchange and any judgment should be rendered in US dollars based on the formula inputs in 2012 at the time Argentina breached its obligations; this judgment should be enforceable in the US and in many other countries against assets Argentina and YPF hold in those countries. Note that individual litigation and arbitration matters operate differently than sovereign debt in that there is no framework established by a debt agreement that can constrain or delay creditors' rights. A claimant like Petersen is entitled to take advantage of the full range of global enforcement options once it has a judgment in hand. That process operates entirely separately from any kind of sovereign debt resolution process. It should be noted that both the Macri and Kirchner governments have regularly settled international litigation and arbitration disputes—indeed, it was the Kirchner government that settled the Repsol/YPF dispute.

Of course, litigation risk is present in the Petersen claim as in any litigation matter, and it is possible that the claim will lose or produce no recovery.

Given the potential magnitude of the YPF claims and Burford's sizeable interest in them, Burford could receive significant returns should these claims result in a settlement or judgment. The following table presents Burford's potential proceeds through a range of settlement/judgment amounts broadly around the values discussed above. The table represents hypothetical scenarios and is not presented as a projection of any particular outcome, and no assurance of any outcome can be provided.

Potential entitlements from various hypothetical outcomes
($ in millions) – all amounts are approximate

Petersen		Equivalent to level of Repsol settlement		Midpoint of by-laws formula range		
Assumed value of total Petersen claim		2,500	5,000	7,500	10,000	12,500
Gross entitlement (before legal fees and sales)	70%					
less: approximate expenses	11–12%					
Entitlement before sales*:	58–59%	1,450	2,900	4,400	5,900	7,400
Burford net entitlement after sales:	61.25%	900	1,800	2,700	3,600	4,500
Eton Park						
Implied value of total Eton Park claim	12%	300	600	900	1,200	1,500
based on Petersen claim value above						
Burford net entitlement after expenses approximately:	75%	200	450	650	900	1,100
Total YPF-related net entitlement to Burford:		**$1,100**	**$2,250**	**$3,350**	**$4,500**	**$5,600**

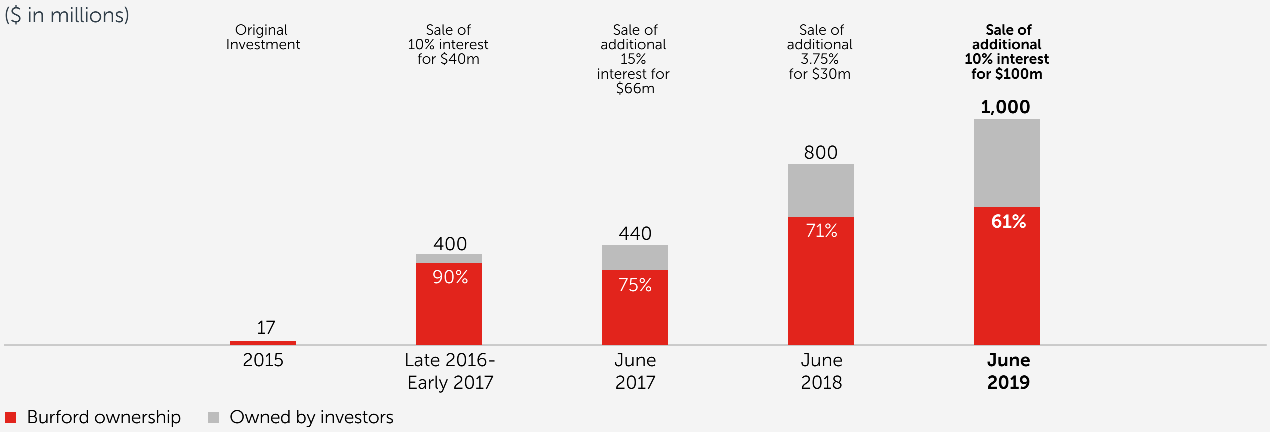
* When we have sold participations in Burford's entitlement to proceeds in Petersen to institutional investors, we have sold shares in this entitlement. We have not sold participations in our potential proceeds from the Eton Park claims.

The reasonableness of these scenarios is confirmed by Burford's most recent secondary market transaction in its entitlement to Petersen proceeds. The price of the last sale implied a value of $1 billion for Burford's entitlement, which in turn suggests that gross proceeds of $1.7 billion would need to be recovered for the buyers to break even. Thus, that price suggests that sophisticated institutional investors, having done their own independent diligence, believe that gross proceeds well above that level are likely to be received (to allow for profit and passage of time).

Burford from time to time sells participations in its entitlements in certain legal finance assets in its portfolio, as a means of risk and liquidity management and more broadly to encourage development of a more active secondary market for legal finance assets. During 2019, we executed sales of participations in its entitlements in two of our legal finance assets, including the sale of a portion of our Petersen investment.

Beginning in 2016, Burford began a program of selling participations in the proceeds of its Petersen entitlement to institutional investors as a means of de-risking its exposure to an asset that had grown significantly in value. Over the course of four such sales, we have received $236 million of proceeds. At 31 December 2019, Burford's balance sheet retained 61.25% of the Petersen entitlement and 100% of the Eton Park entitlement.

Petersen secondary market sales and implied entitlement valuation*
($ in millions)



* Figures indicated on top of the bar charts are implied entitlement valuation

Although Burford sold participations in the proceeds of our Petersen entitlement primarily to lower its exposure to the YPF assets and harvest some of its gains, we have also been able to use proceeds from these sales to accelerate the growth of the business.

Burford underwent a "paradigm shift" in 2017 that fuelled significant growth. Aided in part by its purchase of GKC in late 2016, Burford more than tripled its overall level of Group-wide commitments in 2017 compared to 2016 and has continued to grow from there. This growth included significant business-line additions in complex strategies and in asset management, as well as a continued build of the capital provision-direct portfolio. That portfolio more than doubled to $877 million at cost on the balance sheet at 31 December 2019 from $387 million at cost at 31 December 2016, when it was essentially Burford's only business.

These growth initiatives were, however, not expected to generate immediate profits. Although its complex strategies assets produce modest profits in a relatively short time frame, Burford's asset management profitability is largely deferred until performance fees can be recognised late in the funds' lives, given the European fee structure on many of its funds. New on-balance sheet commitments in legal finance assets also take time to deploy and even more time to conclude and turn into realisations. Therefore, much of the business growth over the past several years was not expected to produce significant returns until future years.

Given the return lags in several of its key business lines, Burford ordinarily would have had only the profits from a much smaller pre-2017 portfolio to fund our growth over the past several years, which would have likely constrained this growth significantly. That is where the success of Petersen and the YPF-related assets came in. Because we were able to generate significant cash realisations by selling participations in Petersen, we had adequate profitability and funding to build out our infrastructure and invest in the growth that brings us to where we are today.

At this stage, three years after the "paradigm shift," we have built a successful asset management business that earns cash management fees but, importantly, is positioned to benefit in the future from significant performance fees on the funds we manage, including through our SWF arrangement. We have a successful on-balance sheet participation in our Strategic Value Fund which is generating attractive returns in a short-duration strategy. And most importantly, we have built up an on-balance sheet portfolio of capital provision-direct assets that are beginning to season and, given the deployment and realisation lags with those assets, should begin to produce attractive realisations over the coming years. As that happens, though we still look forward to further returns from the YPF-related assets in the future, our ongoing profitability will be driven more by the returns on the rest of the portfolio, as well as our other business lines.

One other point that is worth addressing relates to our fair value marks. As should be obvious from the disclosure of the YPF-related marks, the fair value adjustments on the remainder of the capital provision-direct portfolio net to a relatively modest $38 million. That should not be surprising given how our fair value policy works on the vast majority of our assets. We only mark based on objective events and, then, only to a modest degree. It is really only when an investment has succeeded at trial and, especially, on appeal when the marks become meaningful. Therefore, assets tend to have significant fair value marks only late in their lives as they are drawing near to conclusion; we have included data elsewhere in this section that illustrate this point. Given that our capital provision-direct portfolio is relatively young (because of the growth over the past three years), it should not be expected to have significant fair value marks at this stage, though these marks could begin to occur as the portfolio seasons in the coming years. We remain confident that this portfolio will ultimately perform in a manner consistent with our history, though the timing is always uncertain and it could certainly take longer for realisations to occur than we would expect. For context, it is important to remember that, excluding Petersen, we have generated over $1 billion of realisations from concluded and partially concluded capital provision-direct assets on our balance sheet, with a 24% IRR and a 54% ROIC.

Asset management

- AUM of $2.9 billion
- Asset management income grew by 65%

Burford believes it is the largest asset manager focused on the legal finance sector with assets under management of $2.9 billion. We currently manage eight funds, in addition to certain "sidecar" funds pertaining to specific assets.

Key statistics on Burford's managed funds

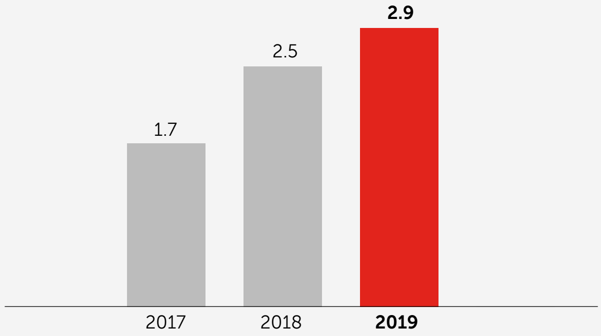
As of 31 December 2019 ($ in millions)	Strategy	Investor commitments closed	Asset commitments to date	Asset deployments to date	Fee structure (management/ performance)[1]	Waterfall	Investment period (end)
BCIM Partners I LP ("Partners I")	Litigation finance	45.50	42.26	30.94	2%/15%	European	1/3/2015
BCIM Partners II LP ("Partners II")	Litigation finance	259.83	252.62	174.86	Class A: 2%/20% Class B: 0%/50%	European	15/12/2015
BCIM Partners III LP ("Partners III")	Litigation finance	412.00	443.99	277.02	2%/20%	European	1/1/2020 (Ceased commitments to new investments in Q4 2018 due to capacity)
Burford Opportunity Fund LP & Burford Opportunity Fund B LP ("BOF")	Litigation finance	299.99	306.93	167.68	2%/20%	European	31/12/2021
BCIM Credit Opportunities LP ("COLP")	Post-settlement	488.23	699.12	694.57	1% on unfunded/2% on funded and 20% incentive	European	30/9/2019 (Stopped in Q4 2018 due to capacity/BAIF)
Burford Alternative Income Fund LP ("BAIF")	Post-settlement	297.25	401.72	337.03	1.5%/10%	European	4/4/2022
BCIM Strategic Value Master Fund LP ("Strategic Value")[2]	Merger appraisal	500.00	1,163.65	1,163.65	2%/20%	American	Evergreen
Burford Opportunity Fund C LP ("BOF-C")	Litigation finance	667.00	248.84	96.51	Expense reimbursement + profit split	Hybrid	31/12/2022
Totals		2,969.80	3,559.13	2,942.27			

1. Management fees are paid to Burford Capital Investment Management for investment management and advisory services provided to the funds. The management fee rates shown are annualised and applied to an asset or commitment base which typically varies between a fund's investment period and any subsequent periods in the fund term. As of 31 December 2019, Partners I, Partners II, Partners III, and COLP are no longer earning management fees. Performance fees represent carried interest applied to LP distributions after the return of capital contributions and preferred returns.
2. Includes amounts related to BCIM SV SMA I LLC which invests alongside BCIM Strategic Value Master Fund LP.

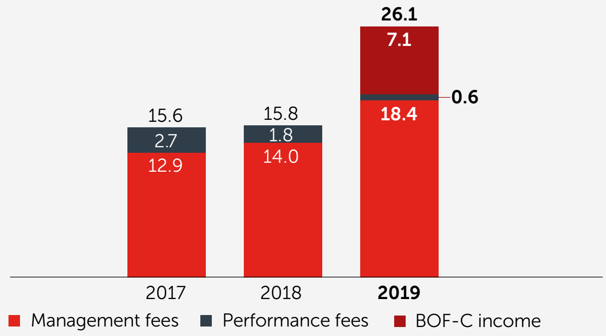
Our Asset Management business continued to grow in 2019, with total AUM of $2.9 billion at 31 December 2019 compared to $2.5 billion at 31 December 2018. This growth occurred across the range of strategies we employ in our managed funds.

In part because of the growth in assets under management, asset management income grew by 65% in 2019. Asset management income is reported as income is earned; management fees are generally paid quarterly.

Assets under management
Group-wide
($ in billions)



Asset management income
Burford balance sheet only
($ in millions)

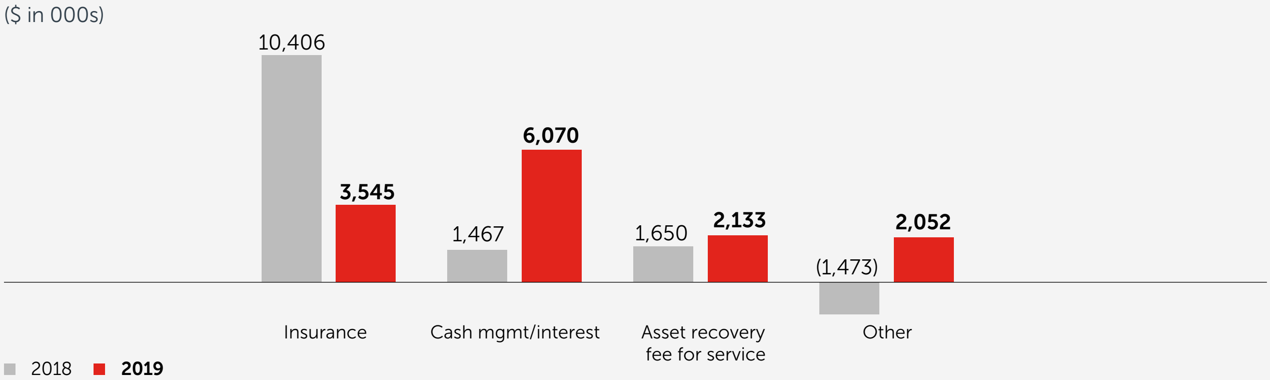


One common feature across the current funds other than the Strategic Value fund and BOF-C is the use of a so-called "European" structure for the payment of performance fees, in that the manager is not paid any performance fees until fund investors have had their entire capital investment repaid, as opposed to performance fees being paid on profitable resolutions as they occur (referred to as an "American" structure). The impact of this European structure is to delay the receipt of performance fees, and thus while many fund assets have already successfully and profitably concluded, leading to a steadily growing expectation of performance fees, few of those performance fees have yet been paid. Performance fees are recognised when a reliable estimate of the fee can be made and it is highly unlikely that a significant reversal of the amount will occur.

Other income

We have moved our very successful after-the-event insurance business, now in run-off, into other income. Its income continues to fall, as expected. Other components of other income rose nicely during the year, including a 29% increase in our asset recovery fee-for-service business.

Other income
Burford balance sheet only
($ in 000s)



Operating expenses

- Operating expenses up but by less than growth of business

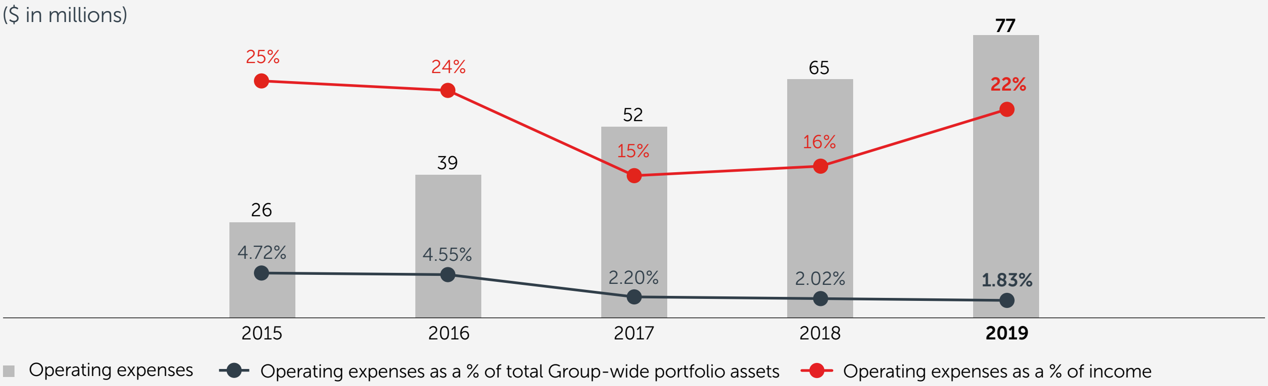
Burford-only operating expenses in 2019 increased but at a smaller rate of increase, 18% on an adjusted basis, than our growth in Group-wide portfolio assets, up 29%.

Burford expenses its operating costs as they are incurred. We don't capitalise them as part of our capital provision portfolio. Moreover, we perform virtually all of our asset origination activities internally, with our own staff, as opposed to outsourcing diligence or legal work. Thus, we do not add external costs to our asset balances as opposed to expensing them. As a result, the operating expenses shown on our accounts are essentially what we are actually spending in cash each year to operate the business.

The bulk of our operating expenses relate to employee compensation, which has increased as we have grown our business and our staff. We continue to balance the desirability of investing in the growth of the business and maintaining prudent levels of spending. Even if we were to see dramatic increases in operating expenses, which we do not expect, we remain well below the cost levels of many peer specialty finance firms.

Although operating expenses have been increasing, they have remained at reasonable levels relative to the general growth of Burford's business, as indicated for instance by our Group-wide portfolio size.*

Adjusted operating expenses
Burford balance sheet only
($ in millions)



Taxation

Burford paid cash taxes during 2019 of $694,000 (2018: $2,273,000). Burford's gradual progression from a tax-free fund prior to 2012 to a multinational taxpayer was altered somewhat by the GKC acquisition in 2016. Under US tax law, given that GKC had very few tangible assets, the bulk of the acquisition price of $160 million was characterised as goodwill and other intangible assets for US tax purposes, and those assets are amortised for tax purposes, significantly reducing future US taxable income for some years while the tax benefit of that amortisation is used over time. The value of that tax offset has been impacted by the 2017 passage of tax reform legislation in the US that lowered US corporate tax rates substantially.

Burford continues to maintain a significant net deferred tax asset on its balance sheet. This is primarily attributable to future benefits from net operating losses and compensation and benefits expenses, net of the GKC intangibles amortisation and net unrealised gains/losses. The 2017 US legislation also enacted significant limitations on interest deductibility and the Group has not recognised a deferred tax asset for the currently unused interest deductions. We do expect to obtain some relief for the interest limitations from the CARES Act recently signed into law in the US.

We believe that our tax cost will remain below our expected future run-rate level for some time while we continue to reap the benefit of the US tax amortisation and the deferred tax asset, although there will be annual variations, as is the case in 2019. Once those benefits are exhausted, we will expect long-term tax rates for our business to ultimately land in the low teens.

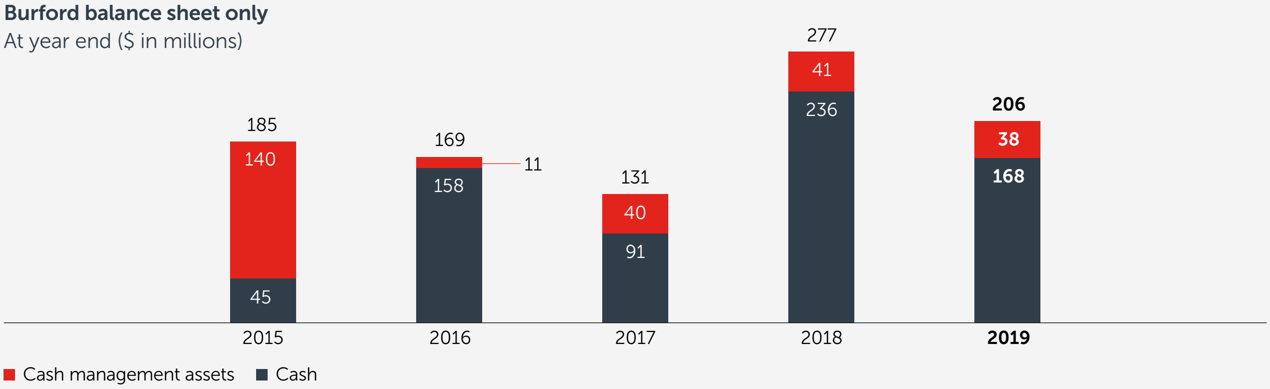
* During 2019, we incurred unusual operating expenses totalling $4.7 million (2018: $1.7 million) related to (i) one-time expenses related to equity and listing matters and (ii) case-related legal fees not included in asset costs. In presenting our operating expense trends, we have adjusted our operating expenses to exclude those items.

Capital management and liquidity

Burford is a rapidly growing business that invests in medium-duration assets. By definition, if our growth rate in a year exceeds the realisations from prior years' assets, we will need incremental capital. This sort of capital dynamic is typical for growing companies. It is also something entirely within Burford's control, in that we could simply slow its growth should we wish to access less expansion capital, although we believe that would not maximise shareholder value in the long term. Burford has instead elected a growth strategy while at the same time maintaining a strong balance sheet and also making use of a large family of private investment funds and our significant strategic capital arrangement with a sovereign wealth fund.

A key part of our capital management strategy involves maintaining significant liquidity. Burford closed 2019 with $206.4 million of cash and cash management investments on our balance sheet.* That was not unusual in that we tend to keep relatively sizeable amounts of cash on our balance sheet since the timing of inflows our business is unpredictable. We typically have more visibility on our deployments, especially those against potential new commitments which we can decide not to pursue at any point.

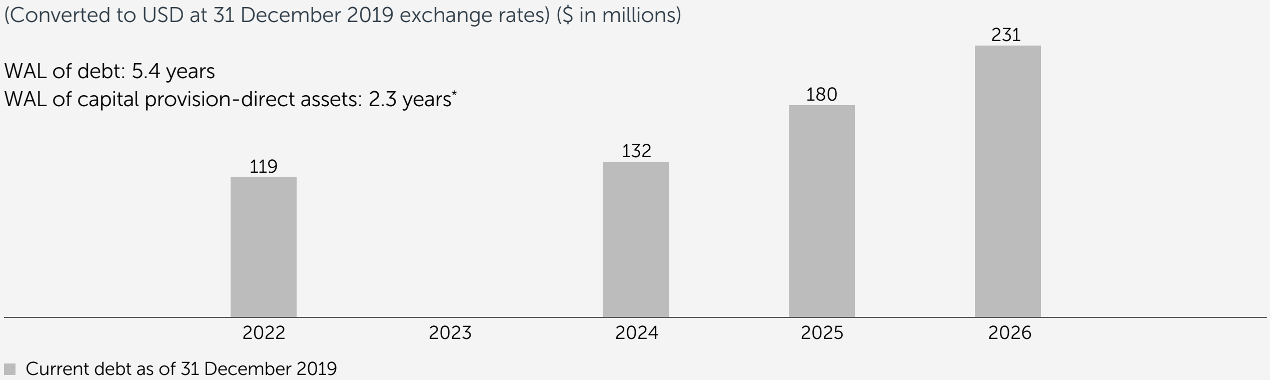
Liquidity
Burford balance sheet only
At year end ($ in millions)



Burford has issued over the past several years four unsecured bonds in the UK bond market, totalling almost $700 million in proceeds at the time they were converted to US dollars. Three of these bonds are Sterling denominated; one is in US dollars. In planning their issuance, we have purposely constructed a set of laddered maturities with an overall weighted average maturity well in excess of the expected weighted average life of our legal finance assets. We have also sized these issues so that any single year's maturity amount is significantly less than our historical annual rate of legal finance asset realisations, which we believe assures that we will have more than sufficient liquidity to repay these bonds should we choose not to refinance them.

Maturity of debt outstanding as of 31 December 2019
Burford balance sheet
(Converted to USD at 31 December 2019 exchange rates) ($ in millions)

WAL of debt: 5.4 years
WAL of capital provision-direct assets: 2.3 years*



* Weighted by recoveries

* We reported $192 million of liquidity at year end in the 3 February 2020 Trading Update, $14 million less than the $206 million reported in our audited financials. The difference reflected $14 million in cash that was in transit from the Strategic Value Fund to the balance sheet over year end. Pending full audit resolution, for purposes of the February Trading Update, we assumed that cash would be deemed to belong to the fund, though ultimately it was deemed to belong to the balance sheet.

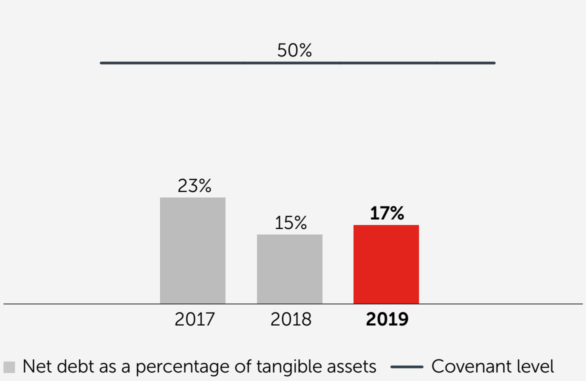
Outstanding debt issues as of 31 December 2019

Issuance date ($ in millions)	Maturity date	Principal Amount (as issued) (in millions)	Principal in US$ at 31 December 2019 Exchange Rate (in millions)
19 August 2014	19 August 2022	90	119
19 April 2016	26 October 2024	100	132
1 June 2017	1 December 2026	175	231
12 February 2018	12 August 2025	180	180

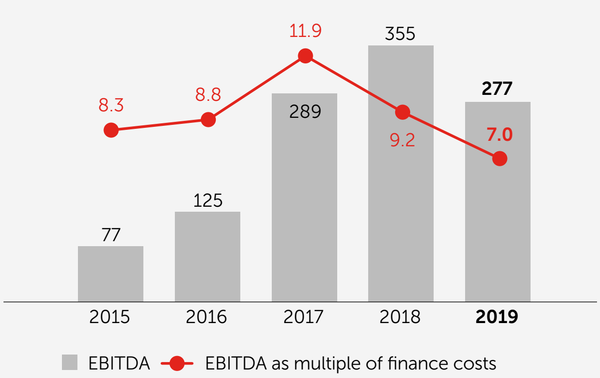
We manage our balance sheet with relatively low levels of leverage. Our debt issues contain one significant financial covenant, which is a leverage ratio requirement that we maintain a consolidated level of net debt (debt less cash) at less than 50% of our level of tangible assets (total assets less intangibles). At 31 December 2019, our leverage ratio on this basis was 17%, significantly lower than required.

We maintained a high interest coverage ratio (earnings before interest, taxes, depreciation and amortisation divided by finance costs) despite lower profit during 2019.

Consolidated net debt/tangible assets
(%)



Interest coverage ratio
($ in millions)



We expect from time to time to issue additional debt, depending on our liquidity needs, capital deployment prospects and market conditions. Although we have historically issued only in the UK bond market and may continue to do so in the future, we may access other, deeper corporate bond markets. To that end, in 2019, we applied for and received unsecured debt ratings which are available on our website.

Risk management

A strong risk management culture

Burford's business is rooted in the effective management of risk. We are both a provider of capital for and an asset manager of legal finance assets. We take risks in order to provide attractive returns to our investors. This means that risk management has to be embedded in everything that we do.

Framework

The Board oversees Burford's risk management and internal control systems. In conjunction with the strategy set by the Group, the Board forms the risk appetite, determines the type and tolerance levels of significant risks it is prepared to take and ensures that judgements and decisions are taken that promote the success of the business. The Board also monitors actual or potential conflicts of interest while avoiding unnecessary risks and maintaining adequate capital and liquidity. Burford's risk management culture is critical to the effectiveness of its risk management framework.

Burford's risk appetite policy is founded on a set of robust and comprehensive financing and asset management procedures as well as a conservative approach to capital and liquidity management. The key risks are identified through our consideration of our strategy, external risk factors, the operating environment for our businesses and an analysis of individual processes and procedures. At each Board meeting these principal risks are reviewed and updated.

The Board's review of key risks focuses on identifying those risks that could threaten the business model or the future performance, capital or liquidity of the business. Risks are screened for the potential impact of external developments, regulatory expectations and, as the legal finance industry leader, market standards. The Directors confirm that the Group's principal risks were evaluated effectively throughout the year.

Assets

As applied to its portfolio of legal finance assets, Burford manages risk by employing a disciplined, comprehensive, multi-stage process to evaluate potential assets, in which it benefits from the judgement and experience of Burford's highly qualified team of experienced lawyers and finance professionals. Burford also uses an internal, proprietary risk tool to assess risk during the asset assessment process and regularly thereafter once financing has been made and engages in substantial portfolio management activities applying a risk-based approach. Burford believes that its approach to risk management has enabled it to improve materially on results in challenging situations where a more conventional approach would likely have led to diminished performance.

Enterprise

Burford regularly considers business and systemic risk in its operating units and overall. We have long been focused on operational risk and have a system of internal controls designed to protect and enhance the integrity of our internal processes and data. Among other steps, we have a dedicated functional team focused on the implementation of our operational controls and data management.

Moreover, Burford is fundamentally a business run by experienced lawyers, including some who have functioned in senior legal roles in major global corporations. The challenge in many businesses is reining in individuals who take on unacceptable or ill-considered risk, and it is the function of the lawyers to hold those reins. At Burford, we have a business run by people accustomed to that role. Burford's culture is a disciplined, risk-focused one, augmented by an eight-member in-house legal and compliance team. In addition to our ongoing risk management activities within the business, a comprehensive risk presentation is made to the Board at each quarterly meeting.

Technology

As a species of risk, IT and cybersecurity risk require their own dedicated discussion.

Burford is always alert to the risk associated with the dissemination of its confidential information publicly, especially as that information contains highly sensitive client litigation information. We have also focused on the risk associated with attacks on our financial systems. Happily, we have never had a widespread data breach, but we have protocols in place should one occur.

From our inception, Burford has been sensitive to these issues and has operated on an entirely cloud-based platform. Our data does not sit on our own servers, but rather on the servers of world-class technology companies. While that is no guarantee of perfect security, it is probably as close as one can come in this day and age. The use of those platforms also comes with state-of-the-art, built-in disaster recovery protection.

However, data security is much more than protecting data against invasive hacking. Human error and inattention is arguably a greater risk than sophisticated penetration attacks. Thus, we engage in a variety of training and testing, and we also introduce restrictions on technology use designed to minimise those risks. We regularly review best practices from both the legal and the financial services industries and are engaged in a program of continuous improvement. We have an internal cybersecurity committee, composed of senior representatives of all our offices, and we regularly benchmark and audit our performance against peer norms, including those promulgated by the US Securities and Exchange Commission and best practices identified in the legal and the financial services industries.

Finally, we strive to create a pervasive culture of information technology security, focusing particularly on the tone set from the top when it comes to these issues. Burford's senior management regularly spends time on these issues and communicates their importance to all staff.

In addition to data security, we are focused on privacy and are sensitive to the various obligations we face in that regard. Given that Burford does not deal with consumers and is purely a corporate business, the burdens on us are far less than on businesses amassing considerable personal data. Burford also has procedures in place to address conflicts of interest; those procedures have operated effectively in the period under review.

Financial controls

Burford operates an extensive and sophisticated finance function, with 17 dedicated finance staff including eight with public accounting qualifications located throughout the business and present in all three of our large offices. By having the finance team embedded in the business and privy to asset financing activity, we gain considerable control benefits in addition to a more effective operation. It bears remembering that Burford makes a relatively small number of investments each year, closing only a couple of new legal finance assets per week on average. Thus there is abundant opportunity for the finance team to be intimately familiar with the activity in the business.

We also have an extensive system of internal controls around access to payment systems and the release of payments. For example, for any payment, regardless of size, to be released, that payment must be created in our internal systems by one of several team members, none of whom have the authority to release payments, and then the payment's release must be authorised by two other team members separately, neither of whom is able to create a payment. Thus, at least three different people from two different groups are required to provide sign-off before a single dollar leaves Burford's hands. Moreover, payments are not even created without a formal process of approval, with investment payments being circulated widely among and approved by the underwriting team. Senior executives in the business, including the Chief Executive Officer and the Chief Investment Officer, do not have access to our payment systems and cannot create or release payments as a control matter.

Ultimately the Board is responsible for ensuring the adequacy of Burford's controls. The Board confirms that Burford's risk management and internal control systems are operating effectively and that material controls did in fact operate effectively throughout the year.

Foreign exchange

Burford is a US dollar reporting business with the considerable majority of its operations occurring in dollar-denominated activities. We also pay our dividends in US dollars. However, our first three bond issues, totaling £365 million, are denominated in Sterling and thus Burford is exposed to currency risk. Burford also has a minority of its investments denominated in currencies other than US dollars. Burford generally does not hedge its currency exposure although its exposure to different currencies, especially Sterling, does provide a degree of natural hedging.

Brexit

Burford does not anticipate any negative impact from Brexit. Indeed, Brexit creates uncertainty, and uncertainty is generally good for the legal sector as it drives demand for services and creates disputes, so from that perspective Brexit may be positive for Burford. It is possible that Brexit will pose a risk to London's prominence as a global litigation centre, but that is of no moment to us as we are perfectly happy doing transnational litigation and arbitration all over the world and already do so in Europe and elsewhere. In fact, moving some dispute resolution from London to Europe is arguably also good for us as adverse costs are less of an issue in Europe as opposed to the often prohibitive nature of them in England.

Regulation

We are often asked about regulation, or more precisely the potential for expanded regulation of this business in a way that would be harmful to it. We do not see that as a likely prospect in the current environment.

We are of course already regulated in a number of different ways. The US Securities and Exchange Commission regulates our investment management business. The UK Financial Conduct Authority regulates our legacy insurance business. The Guernsey Financial Services Commission regulates our new insurance business. The FCA passes on our debt prospectuses for our London Stock Exchange Main Market-traded debt. AIM and our Nominated Adviser regulate our activities as a public company. And we are of course subject to a myriad of laws and regulations, ranging from the Bribery Act and the Foreign Corrupt Practices Act to Anti-Money Laundering and Know Your Customer regulations in many jurisdictions.

Beyond those regulations, we are subject to an unusual—but very comprehensive—level of regulation because of our activities within the justice system. Courts have inherent power to regulate within the matters before them, and unlike agency-based regulation which is based on rules and spot-checking, litigation comes with 100% regulatory oversight in that every single matter is put before a judge—and judges are not shy to exercise that inherent power when it is warranted. Thus, there is clear protection for clients when litigation finance providers overreach,

Regulation is also a matter that varies by jurisdiction. For example, the US has a long tradition of not regulating non-bank finance providers who deal with corporate clients, as Burford does. Most states have quite a clear ceiling above which sophisticated parties like Burford and its corporate clients are free to contract without regulatory oversight; for example, in New York, that point is when the capital provision exceeds $500,000, well below Burford's smallest investment. On the other hand, the UK does engage in some regulation of litigation finance conduct, as expressed in a Code of Conduct promulgated by the Association of Litigation Funders, a self-regulatory body that operates under the auspices of the Ministry of Justice and of which Burford was a founder. In Australia, there are specific conflicts of interest rules for litigation funders to follow. Some newer entrants to the market, such as Singapore and Hong Kong, have also enacted regulatory regimes largely focused on capital adequacy and constraining abusive behaviour.

There is no question that some big business lobbyists have added litigation finance to the long list of litigation-related items to which they are opposed. However, we have not seen any indication that there is any groundswell of support for regulation of this sector; ongoing discussion tends to be around subsidiary issues such as disclosure and capital adequacy. In the US, state and federal legislatures as well as the federal courts have generally declined to impose new regulations on commercial litigation finance. Even if there were support for additional regulation, it seems probable that such regulation would create a further barrier to entry for others and thus protect Burford's market position. Nevertheless, we engage in a constant level of activity around monitoring and engagement on regulatory initiatives.

COVID-19

It's clear that a significant human tragedy is unfolding that is causing extraordinary disruption to business. We took early measures to move our staff to remote working and we are operating well and continuing to engage with our clients. Based on history, disruptions tend to lead to disputes, and we are ready to work with our clients to finance those disputes as they arise.

COVID-19 and the likely ensuing economic downturn presents considerably less risk to Burford's business than many other companies, and in many ways also creates the likelihood of business opportunities going forward.

We set out here the various potential risks to the business associated with COVID-19 and our assessment of each risk. We then comment on the landscape for future opportunities.

Risks

The progress of existing litigation matters may be delayed because of COVID-19, slowing Burford's realisations.

As a general matter, courts and arbitral tribunals remain in operation and continue to render decisions. Courts recognise the importance of the societal role they play and are trying valiantly to remain in operation notwithstanding the coronavirus. For example, the Lord Chief Justice of England and Wales has said that "it is of vital importance that the administration of justice does not grind to a halt".

In general, the status of the courts (including arbitral tribunals) is as follows:

- Courts are open to receive new filings in new and existing cases
- Courts are continuing to hold hearings and non-jury trials, usually using video conferencing technology
- Courts are continuing to issue decisions
- Jury trials have been suspended
- Pre-trial discovery requiring travel or in-person attendance (such as witness depositions) is being postponed

The net result of this is that some cases will proceed in the ordinary course, especially those that are less dependent on witness testimony and do not require a jury trial, whereas other cases will inevitably experience some delay and disruption.

Burford does not expect the delays to have a permanent negative impact on its business; unlike many other businesses, delay for us is simply deferral as opposed to loss of income, and indeed in many instances the risk of delay lies on our counterparty and not on Burford, with Burford's terms often increasing as time passes. However, it is reasonable to expect that cash proceeds from litigation resolutions will be lower in the near term as the courts work through these issues.

Burford also does not expect the delays to have an impact on asset valuation. Burford only adjusts values based on objective events in the underlying litigation, not based on time.

In a period of constrained liquidity, defendants may be less willing to settle litigation matters, extending duration and increasing risk.

While settlement is a normal part of litigation, we do not assume that any of our matters will settle, both when we evaluate their risk and when we plan for their capital outlay and returns. We also generate significantly higher profits when matters do not settle and proceed to adjudication. However, even in a downturn, it simply is highly unlikely that settlements will cease; settlement is a way for companies to manage litigation risk, and the consequences of not settling in many instances are simply too risky for businesses even in a period of tight liquidity.

Defendants may become insolvent, which could impact the timing and quantum litigation recoveries.

The ultimate payor in much of Burford's litigation is either (i) a government or a state-owned entity; (ii) an insurer; or (iii) a large company in an industry less likely to be rendered insolvent by this economic disruption. For example, Burford does not have material cases against defendants in the travel and hospitality industries; we provide a breakdown of the industries relevant to our litigation matters on page 46 of this annual report. As a result, Burford does not presently believe that its existing portfolio is likely to be materially negatively affected by defendant insolvency, although the full impact of the COVID-19 economic disruption is not yet known. To the extent that defendants in Burford matters do become insolvent, the impact of a defendant's insolvency on pending litigation is very difficult to predict and is not only case specific but dependent on the insolvency process in the country in issue; for example, in the United States, entry into a corporate restructuring via Chapter 11 of the Bankruptcy Code does not eliminate litigation claims but is likely to delay them, whereas in countries that proceed directly to liquidation a pending claim is more likely to be settled at a lower value than might have been the case had the defendant remained solvent. In general, however, other than in insolvencies where there is no recovery for anyone but secured creditors, Burford would still expect to see a recovery, but that recovery is likely to be delayed and could well be reduced in size during the restructuring or liquidation process. This risk is mitigated by deal structures in a significant number of Burford's litigation matters that protect Burford's expected return in the event of a reduced recovery.

Burford's clients may become distressed or insolvent, creating the need to engage in a restructuring negotiation or process.

As Burford's portfolio has evolved, a much larger portion of its investments are with large companies or law firms with low insolvency risk or in asset purchases where counterparty risk is not a factor. In a significant number of its investments, Burford is a secured creditor with respect to the litigation it is financing, and the litigation is a valuable contingent asset the recovery of which is in the best interest of the counterparty's stakeholders. As a result it is unlikely that the financial distress or insolvency of one of Burford's counterparties would interfere with the continued progress of the litigation matter.

The pace of new business may be slower because of COVID-19.

We do believe that working remotely and social distancing are likely to slow the generation of new business while those measures remain in place. However, as discussed below, we also believe that there will be very substantial opportunity for Burford once lawyers and clients return to working more normally.

Market conditions may restrict access to capital for Burford.

While Burford generates considerable organic cash each year for reinvestment, Burford also relies on the availability of external capital–both corporate debt and fund capital–to maximise its growth prospects. While that capital may be in short supply at present, Burford's historical experience suggests that investors will soon realise the benefits of Burford's uncorrelated cash flows and the opportunities that will present themselves and will make capital available, but there is no guarantee of that occurring. Should Burford not have access to external capital, its growth could be curtailed.

Opportunities

COVID-19 itself will generate many disputes over allocation of responsibility, the limits of force majure and other legal issues.

COVID-19 has disrupted a vast number of contractual and other arrangements and there will inevitably be significant litigation over the allocation of responsibility, including questions such as the scope of business interruption insurance and the limits of the force majure doctrine.

Further litigation will be generated by the economic downturn we expect to occur.

Economic downturns produce litigation claims. Burford saw considerable opportunity following the 2008-09 financial crisis and expects to see significant amounts of litigation, and meaningful demands for capital, over the next several years.

Businesses with existing or future claims are likely to be liquidity constrained and in need of capital.

We have historically found that periods of tight liquidity lead businesses to seek alternatives to spending their own capital on litigation matters, and we anticipate an uptick in demand for our capital, both to finance litigation expenses and to monetise positions.

Some of our competitors are likely to close or reduce operations.

Some of our competitors rely on capital from only one or two private sources, and we are already hearing market intelligence that suggests that some of those sources have stopped providing capital to new opportunities.

Market entry is likely to lessen.

We are likely to embark on a challenging fundraising environment, which will make it harder–or impossible–for new entrants to raise capital to enter this industry.

Investors tend to find uncorrelated cash flows of the type generated by Burford to be attractive during economic downturns.

Burford's cash flows are uncorrelated to market conditions or economic activity; they arise solely from litigation resolutions. Historically, investors have found such uncorrelated cash flows attractive in periods of economic uncertainty.

Governance

Contents

Board of Directors

We are managed by our Board of Directors. All four directors are independent non-executives and have been directors since our inception. The Board's composition is dictated by the provisions of Burford's articles, which limit the proportion of US and UK persons that can be directors.

Sir Peter Middleton GCB
Chairman

Sir Peter Middleton, 85, was previously UK Chairman of Marsh & McLennan Companies, Chairman of Marsh Ltd, Chairman of Mercer Ltd, Chairman of the Centre for Effective Dispute Resolution, Chairman of Camelot Group PLC and Group Chairman of Barclays Bank PLC; a Director, Chairman and Deputy Chairman of United Utilities; and a board member of OJSC Mobile Telesystems, Bass PLC and General Accident (later CGU). He was also President of the British Bankers Association and a member of the National Institute for Economic Research.

Hugh Steven Wilson
Deputy Chairman

Mr. Wilson, 72, spent more than thirty years at Latham & Watkins, one of the world's largest law firms, where he was Global Co-Chair of the Mergers and Acquisitions Practice Group and chairman of both the National Litigation Department and the National Mergers and Acquisitions Litigation Practice Group. He then joined Tennenbaum Capital Partners, a US-based private investment business, as Managing Partner and also served as the Chief Executive Officer of multiple registered investment companies within the Tennenbaum Capital Group. After his retirement, Mr. Wilson continued to serve as a Senior Adviser to Tennenbaum through its acquisition by BlackRock. Mr. Wilson has served as Chairman and a director of numerous public and private companies.

David Lowe OBE
Non-executive Director

Mr. Lowe, 83, was, until his 2011 retirement, Senior Jurat of the Royal Court of Guernsey. Previously, Mr. Lowe served as Chief Executive of Bucktrout & Company Limited. He is a former director of Lazard and Chairman of Barclays Capital in Guernsey and was a director of Bailiwick Investments Limited. Mr. Lowe was awarded the OBE for his services to the Royal Court of Guernsey and is a fellow of the Royal Entomological Society.

Charles Parkinson
Non-executive Director

Mr. Parkinson, 66, is a director of two private Guernsey investment companies, Mapeley Limited (owned by the Fortress Investment Group) and Aqua Resources Fund Limited. Mr. Parkinson is currently the president of the Committee for Economic Development in the States of Guernsey and was previously president of the States Trading Supervisory Board. Mr. Parkinson was also a director of Bailiwick Investments Limited, which is quoted on The International Stock Exchange. Mr. Parkinson is a past partner and director of PKF (Guernsey) Limited, accountants and fiduciaries. Mr. Parkinson is also a qualified barrister and a member of the Institute of Chartered Accountants in England and Wales.

New directors

Burford intends to propose the election of CEO Christopher Bogart and two new independent directors for shareholder consideration at its forthcoming Annual General Meeting (AGM) on 13 May 2020. If elected, the new directors, all of whom have agreed to serve, would join the Board immediately. As previously disclosed, David Lowe will be retiring from the Board at the 2020 AGM. The new independent directors are:

- Robert Gillespie (65) was most recently the Director General of the UK Takeover Panel. He had a lengthy career as an investment banker, spending more than 25 years at UBS and its predecessors in a range of senior positions including Vice Chairman; Chief Executive Officer, EMEA; and Joint Global Head of Investment Banking, while also serving on the Group Managing Board and the Management Committee for many years. Mr. Gillespie started his career as a Chartered Accountant at PwC. He is currently a director of Royal Bank of Scotland plc, NatWest Holdings Ltd and Ulster Bank Ltd and is the Chairman of Boat Race Company Ltd. He has previously served as a director of Citizens Financial Group, Ashurst LLP, the law firm, and as chairman of Somerset House Trust and the Council of Durham University, from which he graduated with a degree in economics.
- John Sievwright (65) is the former Chief Operating Officer – International of Merrill Lynch. Mr. Sievwright had a 20-year career with Merrill Lynch with a range of global leadership positions, including Chief Operating Officer – Global Markets and Investment Banking, President and Chief Operating Officer, Merrill Lynch Japan, and Head of Global Futures and Options (during which time he also served as the President of the Futures Industry Association). Prior to Merrill Lynch, Mr. Sievwright held finance and accounting functions at Bankers Trust and the Bank of Tokyo. He began his career as an auditor at Ernst & Young and qualified as a Chartered Accountant. He has an MA in accountancy and economics from the University of Aberdeen. Mr. Sievwright also serves as a trustee and chairman of the audit committee for a number of Aberdeen Standard Investments funds, and has previously served as the senior independent director and chairman of the audit and risk committee at ICAP plc (now NEX Group plc) and the senior independent director and chairman of the audit committee of FirstGroup plc.

Messrs Gillespie and Sievwright are both independent of Burford and have no prior connections to the Company of any kind. Both Messrs Gillespie and Sievwright are qualified to serve on the Audit Committee and both will be appointed to it, resulting in a majority of the Audit Committee immediately being composed of new directors.

Gender diversity on our Board

Burford is sensitive to the fact that its Board remains, with these new appointments, entirely male, which is not our desire and is inconsistent with the significant level of gender diversity in the business. In fact, Burford approached a number of potential women directors as part of its nominating process, but the suitably qualified female candidates that Burford identified were unable to accept the appointment for a variety of reasons, including conflicts and capacity. Burford will use its best efforts to ensure that its 2021 appointment discussed below will be a woman.

Chairmanship

As previously announced, Sir Peter Middleton GCB, Burford's Chairman, will retire from the Board at Burford's 2021 AGM. At that time, Deputy Chairman Steve Wilson will be appointed Chairman. Mr. Wilson would serve as Chairman for three years and then retire from the Board at the 2024 AGM. Mr. Wilson has served as Burford's Deputy Chairman since Burford's founding in 2009 and chairs Burford's Remuneration and Nomination Committees.

Although Burford is not subject to the UK Corporate Governance Code (the "Code"), it is nonetheless sensitive to the Code's corporate governance framework and is aware that Mr. Wilson's length of service on the Burford board would ordinarily disqualify him from being appointed Chairman under the code. However, the Code explicitly provides for an exception for effective succession planning which we believe would be relevant here were the Code to be applicable.

Burford began its existence by going public and raising capital. Burford did not have an operating business prior to its IPO in late 2009, and the industry in which it operated was nascent at best. Thus, much of Burford's activity during the past decade has consisted of developing its current operating business and expanding its industry, which it leads. Burford's non-executive directors were key participants in that successful undertaking and developed a deep understanding of Burford's business given their roles in helping to build it from scratch. Burford also operates as an industry of one when it comes to larger public companies, and there is not a wide pool of talent available with relevant experience. In Burford's view it was correct to retain its original slate of directors throughout its formative years as opposed to earlier board rotation, which would have deprived the business of the accumulated knowledge and wisdom of its directors just as the business' growth was accelerating.

Burford has now reached the stage where the Board takes a more strategic and oversight role rather than operational role, and it is appropriate to begin rotating the Board and adding new directors since deep industry knowledge is less critical. However, we believe strongly that it would be a mistake to engage in wholesale turnover of the Board without a period of transition as contemplated by the Code, and we believe three years of Mr. Wilson's Chairmanship is an appropriate period of transition.

Audit Committee

Presently, the Burford Audit Committee is composed of Charles Parkinson (Chairman) and David Lowe (who is retiring at the 2020 AGM). As noted above, Messrs Gillespie and Sievwright will join the Audit Committee immediately upon their election to the Board, meaning that the Audit Committee will have a majority of new directors. However, we believe that the Audit Committee similarly requires a transition period, which we propose to create by having Mr. Parkinson continue for three years commencing at the 2020 AGM, following which he will retire from the Board.

Further appointments

Burford intends to continue to refresh its Board and expects to nominate a further new independent director prior to the 2021 AGM. We intend to present to shareholders some proposed amendments to our Articles, including a proposal to relax somewhat the residency requirements for directors and permit Burford to add another US director. If shareholders approve those amendments, we would then nominate a further new director from the US at or before the 2021 AGM, as well as adding future new directors to maintain at least a five person Board.

Board independence

Burford's Board currently and under its proposed future configurations satisfies the independence rules to which it is subject.

Burford is conscious that the UK Corporate Governance Code treats Messrs Middleton, Wilson and Parkinson as non-independent directors given their tenure on the Board and that Mr. Bogart is non-independent given his executive position. Despite not being subject to the UK Code, Burford recognises investor interest in it as a governance benchmark; with the implementation of the above plans, Burford's Board would have the composition noted in the table below and would be on a defined path to coming into compliance with the UK Code.

As noted above, Burford believes that any more rapid progression to a majority-independent Board would have a detrimental impact on Burford's governance by depriving the Board of a period of transition with experienced directors whose cumulative knowledge and insight brings considerable value to the Company.

Following AGM in	Total number of directors	Independent under the UK Code	Non-independent under the UK Code
2020	6	2	4
2021	6	3	3
2022	6	3	3
2023	5	3	2
2024	5	4	1

Management team

Senior management

Our senior management is comprised of the eight members of our Management Committee:

Christopher Bogart
Chief Executive Officer

Before co-founding Burford, Mr. Bogart, 54, held numerous senior executive positions with Time Warner. As Executive Vice President & General Counsel of Time Warner Inc, he managed one of the largest legal functions in the world. He also served as Chief Executive Officer of Time Warner Cable Ventures and one of four senior executives operating Time Warner Cable, with $9 billion in revenue and 30,000 employees, and as Chief Executive Officer of Time Warner Entertainment Ventures.

Mr. Bogart came to Time Warner from Cravath Swaine & Moore, where he was a litigator representing companies such as IBM, GE and Time Warner. He has also served as Chief Executive Officer of Glenavy Capital, an international investment firm whose projects included Churchill Ventures, a publicly traded media and technology investment vehicle of which he also served as Chief Executive Officer, as well as the Glenavy Arbitration Investment Fund, a pioneering litigation finance vehicle. He began his professional career as an investment banker with what is now JPMorgan Chase.

Mr. Bogart earned his law degree with distinction from the Faculty of Law of the University of Western Ontario, where he was the gold medalist. He clerked for the Chief Justice of Ontario.

Jonathan Molot
Chief Investment Officer

Prior to co-founding Burford, Mr. Molot, 53, founded Litigation Risk Solutions, a business that assists hedge funds, private equity funds, investment banks, insurance companies and insurance brokers to develop litigation risk transfers where lawsuits threaten to interfere with M&A and private equity deals.

In addition to his role at Burford, Mr. Molot is a Professor of Law at Georgetown University. Mr. Molot has taught on litigation risk management and finance at Harvard Law School, Georgetown University Law Center and George Washington University Law School.

Mr. Molot served as counsel to the economic policy team on the Obama-Biden Presidential Transition Team and as a senior advisor in the Treasury Department at the start of the Obama Administration. He practiced law at Cleary Gottlieb in New York and at Kellogg Hansen in Washington, DC.

Mr. Molot earned his BA magna cum laude from Yale College and his JD magna cum laude from Harvard Law School, where he was Articles Co-Chair of the Harvard Law Review and won the Sears Prize, awarded to the two top-performing students in a class of over 500. He clerked for US Supreme Court Justice Stephen Breyer.

Craig Arnott
Deputy Chief Investment Officer

Prior to joining Burford in 2016, Mr. Arnott, 53, was a barrister at Sixth Floor Selborne and Wentworth Chambers in Sydney. Previously, he was a Partner and Head of Competition/Antitrust Law in London at the international law firm Fried Frank. During his time at Fried Frank, Mr. Arnott oversaw many significant transactions, serving as counsel to the pharmaceuticals company Merck in its acquisition of Schering-Plough and as European Counsel to Delta & Pine Land during its acquisition by Montsanto. Before his time at Fried Frank, Mr. Arnott worked at Cravath Swaine & Moore in New York, Gilbert + Tobin in Sydney and Ashurst in London.

Mr. Arnott earned his BCL and DPhil from the University of Oxford, where he is an alumnus of Ballilol College and a Rhodes Scholar. He graduated at the University of Queensland with First Class Honours in both his Law and Arts degrees, with the University Medals in both. He clerked for the Honorable W. Pincus of the Federal Court of Australia.

Jim Kilman
Chief Financial Officer

Mr. Kilman was appointed Chief Financial Officer in August 2019, having previously served as Senior Advisor since 2017. Prior to joining Burford, Mr. Kilman, 59, was Vice Chairman of Investment Banking at Morgan Stanley, where he served as Burford's investment banker. He spent 32 years in the investment banking business, including senior roles at Goldman Sachs, ABN AMRO and PaineWebber. Following his retirement from Morgan Stanley in 2016, he founded and became Chief Executive Officer of KielStrand Capital, a family office. Mr. Kilman currently serves as a Trustee of the MFS Mutual Funds, Boston, MA, and has served on several other public and private corporate boards previously.

Mr. Kilman earned his MA and a BA in Economics from Yale University.

Senior management
continued

Mark Klein
Chief Administrative Officer and General Counsel

Prior to joining Burford in 2017, Mr. Klein, 52, spent 13 years at UBS in a wide range of corporate roles, including as Managing Director and General Counsel of its infrastructure and private equity business. Most recently, he was a General Counsel and Chief Compliance Officer at Marketfield Asset Management, a large US-registered investment adviser. Prior to that, Mark was General Counsel and Chief Compliance Officer at NewGlobe Capital, a registered investment adviser. Mr. Klein began his career at Weil, Gotshal & Manges.

Mr. Klein earned his JD from New York University School of Law.

Elizabeth O'Connell CFA
Chief Strategy Officer

One of Burford's founders, Ms. O'Connell assumed the role of Chief Strategy Officer in August 2019, having previously served as its Chief Financial Officer and as a Managing Director responsible for overseeing the company's finance function and investor relations. Prior to Burford's founding, Ms. O'Connell, 53, was a Managing Director and Chief Financial Officer of Glenavy Capital, an international investment firm and a founding shareholder of Burford. Ms. O'Connell was also the Chief Financial Officer of Churchill Ventures Limited, a technology and media company listed on the American Stock Exchange.

Earlier in her career, Ms. O'Connell was a senior Equity Syndicate Director at Credit Suisse. Before that, she spent the bulk of her investment banking career at Salomon Brothers (later Citigroup) . She began her finance career in foreign exchange sales at Bank of America. Ms. O'Connell is a Chartered Financial Analyst.

Ms. O'Connell earned her MBA in finance from The University of Western Ontario Richard Ivey School of Business and her BA from The University of Western Ontario. Ms. O'Connell has been married to Christopher Bogart, Burford's Chief Executive Officer, since 1992.

David Perla
Co-Chief Operating Officer

Prior to joining Burford in 2018, Mr. Perla, 50, served as President of Bloomberg BNA Legal Division/ Bloomberg Law, where he oversaw Bloomberg BNA's legal and related products, including its flagship Bloomberg Law enterprise legal news, information and tools platform. Previously, Mr. Perla co-founded and was co-CEO and a director of Pangea3, the top-ranked global legal process outsourcing provider. Pangea3 was acquired by Thomson Reuters in 2010 and grew to over 1,000 employees globally under Mr. Perla's leadership. Before launching Pangea3, he was Vice President of Business & Legal Affairs for Monster.com. Mr. Perla began his career in the New York office of Katten Muchin.

Mr. Perla earned both his BA and JD from the University of Pennsylvania.

Aviva Will
Co-Chief Operating Officer

Prior to joining Burford in 2010, Ms. Will, 51, was a senior litigation manager and Assistant General Counsel at Time Warner Inc, where she managed a portfolio of significant antitrust, intellectual property and complex commercial litigation. She was also the company's Chief Antitrust and Regulatory Counsel, advising senior management on antitrust risk and overseeing all government antitrust investigations and merger clearances worldwide. Ms. Will also served as the Assistant Secretary for the company, managing corporate compliance and governance for the company and Board. Prior to joining Time Warner, Ms. Will was a senior litigator at Cravath, Swaine & Moore.

Ms. Will earned her JD cum laude from Fordham University School of Law, where she was the Writing & Research Editor of the Fordham Law Review and a member of the Order of the Coif. She earned her BA from Columbia University. She clerked for the Honorable Stewart G. Pollock on the New Jersey Supreme Court.

Compensation

Our employees

As of 31 December 2019, we had a total of 129 full-time employees located in the US, the UK, Singapore and Australia. Our team is multi-disciplinary and includes a number of senior finance and investment professionals, but is notable for those staff members with corporate litigation experience bringing to bear many hundreds of years of collective experience.

Compensation

Directors

Our four independent non-executive directors receive fees for their board and committee service and for board service to Burford's affiliates. During 2019, the fees received by our directors were:

	2019 fees $'000
Sir Peter Middleton GCB	189
Hugh Steven Wilson	125
David Charles Lowe OBE	85
Charles Nigel Kennedy Parkinson	85
Directors – total	**484**

Compensation philosophy and annual bonus

Burford's people are inherently expensive given their backgrounds at the world's leading law and finance firms; that expense is exacerbated by the need to locate many of our people in centres such as New York and London. To maintain the quality of its financing decisions and obtain people capable of meeting Burford's needs is expensive and requires Burford to compete with top-tier law firms, investment banks, asset managers and large companies for its talent. To be competitive, Burford needs to pay according to those market expectations. That often results in compensation packages in excess of what would normally be seen at UK public operating companies. That is particularly true of Burford's senior management, all of whom could obtain multi-million dollar compensation packages at law firms or investment banks. (For example, multiple law firms pay their high-performing partners more than $10 million per year in cash.) While we recognise that this approach to compensation may diverge from the UK public norm, it is the only way to run this business.

We consider a number of factors when determining employee bonus compensation, including case performance and cash generation, business profitability, new business and portfolio progress. We do not include non-cash metrics like fair value in our compensation assessments, and the more senior a person is at Burford, the more their compensation will be based on Burford's performance, until reaching our CEO and CIO whose compensation is entirely based on Burford's cash performance. Burford's 2019 bonuses were set in February and paid in early March 2020.

Burford's success is dependent on the quality of its people. To make high-quality financing decisions about complex legal assets requires world-class lawyers supported by finance and other professionals. Compensation is by far Burford's largest expense.

LTIP

In 2016, shareholders approved a Long-Term Incentive Plan ("LTIP") and we have added grants under that plan to our compensation mix, which creates additional alignment between the team and public shareholders given that it requires attainment of various corporate performance targets. It also creates a long-term retention vehicle. We made an initial LTIP grant to every employee in the business at the time of the plan's inception, and we make grants to virtually all new employees as they join. We also use annual LTIP grants as a further compensation vehicle for certain of our employees. All LTIP grants come with performance criteria, three-year cliff vesting and clawbacks for malus. The plan has a cap of 10% of Burford's shares over a ten year period; after three years, we have used less than 1%. At 31 December 2019, there were 1,347,526 shares outstanding in the LTIP program. At that date, there were 402,266 LTIP shares scheduled to be fully vested (assuming performance measures are met) and distributed to participants in 2020, which will be the first distribution from the LTIP plan. We had previously announced an intention to purchase on the open market shares for the 2020 LTIP distribution to employees. However, given a desire to preserve our liquidity for deployment in the business, we now plan to issue new shares to satisfy this distribution.

Carry Pools plan

In 2018, Burford began operating a phantom carry or "Carry Pools" plan arrangement where a small slice (5% or less) of certain pools of assets originated in a calendar year are included in separate legal entities, the Carry Pools. The Carry Pools provide employees with direct alignment to the cash performance of Burford's assets. Certain employees may be invited to participate in a profits interest arrangement under which a significant portion of the cash profits in the Carry Pools are available for allocation to those employees. Those employees who participate in such arrangements pay full market value for the interests at the time of acquisition with funds loaned to them by Burford. The profits interest is not remuneration for services provided to the Group.

Retirement savings

Burford offers to its US employees a defined contribution retirement plan ("Retirement Plan") where employees make pre-tax or Roth contributions to a retirement savings account and the company makes a corresponding contribution to their accounts. A similar arrangement is in effect for UK employees.

Senior management

Compensation paid or accrued for 2019 (including cash bonus and other incentive compensation for 2019 that was paid in 2020) for our senior management – the eight members of our Management Committee shown on pages 79 to 80 – as a group is set forth below:

	Senior management 2019 $'000
Salary	4,666
Cash bonus	9,150
LTIP granted	7,550
Company contribution to Retirement Plan	106
Total compensation	**21,472**

For both our senior management and our employees overall, our general compensation philosophy is team-based rather than individual as we believe that investing in this asset class benefits from a team approach and not from assigning individual ownership of and responsibility for individual investments. Our compensation programs are designed to incentivise performance and retention. For many of our employees, the primary forms of compensation are base salaries and performance-based annual bonuses; the more senior an employee, the more their compensation reflects corporate performance. This compensation mix in part reflects the origins of our team members, who typically hail from law firms and financial firms that also use this compensation approach. A number of our employees also participate in our stock-based long-term incentive plan and our 401(k) plan, as discussed below. In addition, Burford offers the opportunity to select employees to participate in the Carry Pool Plan and to all eligible employees to invest in the Company's private investment funds on a fee-less basis.

CEO/CIO compensation

In addition to its disclosure of aggregate compensation for the Management Committee, Burford is voluntarily disclosing the details of the compensation arrangements for Christopher Bogart and Jonathan Molot, Burford's Chief Executive Officer and Chief Investment Officer, respectively.

Messrs Bogart and Molot are employed under identical employment agreements that expire on 31 December 2021, which renew automatically for successive one-year periods thereafter if neither the Company nor the relevant executive provides notice of an intent to terminate the agreement. Messrs Bogart and Molot receive identical compensation reflecting their roles as joint founders and leaders of Burford's business, and both report directly to Burford's Board of Directors. Each of those agreements provides for a base salary of $950,000 and an annual bonus tied to Burford's income excluding the impact of any fair value adjustments. For 2019, $2,250,000 was paid to each executive as the cash portion of the annual bonus and $750,000 will be granted in LTIP awards when Burford makes its annual LTIP grants in the next few weeks.

Messrs Bogart and Molot have committed to use their entire 2019 bonuses, after tax, to purchase Burford securities in the market.

Messrs Bogart and Molot are also participants in the 401(k) plan and the Carry Pool Plans. In 2019, each executive contributed to the 401(k) plan and the company made a matching contribution of $11,200 for each of them. They each received a payment of $2,782 in 2019 from the Carry Pools.

Messrs Bogart and Molot also take advantage of the opportunity offered to all eligible Burford employees to invest in the company's private investment funds on a fee-less basis. Each executive's total commitments to such funds is $2,000,000.

Shareholdings

Our Chief Executive Officer and our Chief Investment Officer, as founders of the business, have significant shareholdings in Burford, with approximately 4% of our shares each. In addition, our directors and our senior management also own shares in Burford, either directly or through participation in our LTIP program. Burford has a policy that requires senior management to each hold shares in Burford equal in value to at least three times their annual base salary. Some of our directors also own bonds that Burford has issued, or invest in funds that Burford manages. Detail is provided in the table below.

Holdings of directors and senior management

Directors	Shares owned[1]	% of shares outstanding	Bonds owned (principal amount)	Commitments to managed funds
Sir Peter Middleton, GCB	100,000	–		
Hugh Steven Wilson	254,410	0.1	$280,000	$1,500,000
David Charles Lowe OBE	200,000	0.1	£300,000	
Charles Nigel Kennedy Parkinson	8,000	–		$50,000
Directors—total	**562,410**	**0.3**	**$677,710**	**$1,550,000**
Senior management				
Christopher Bogart	8,910,037	4.1		$2,000,000
Jonathan Molot	9,500,000	4.3		$2,000,000
Senior management as a group	**19,278,897**	**8.8**		**$4,975,000**

1. Includes shares owned directly and through the LTIP.

Corporate governance report

Governance

Policies

Burford has throughout its history adopted and complied with the Guernsey Finance Sector Code of Corporate Governance (the "Code"), and our compliance has been the subject of regular reporting to, and oversight by, the Board.

A summary of Burford's compliance aligned with the Code's provisions includes:

Effective responsible board: The Board holds an in-person meeting every quarter during which it reviews thoroughly all aspects of the businesses' strategy and performance; the directors spend at least one evening and one full day together for each meeting, and every director attended all such meetings held in 2019 with the exception of David Lowe who missed the November 2019 meeting due to hospitalisation. Burford's Chief Executive Officer and Chief Investment Officer participated in the entirety of each board meeting (other than the closed session discussed below), joined as appropriate by other senior members of management. The Board reviews its performance and director compensation annually and regularly discusses succession planning and management oversight. The Board meets in closed session without management present at each of its meetings.

The Board also operates through four committees composed entirely of independent directors, Audit (Parkinson (Chair) and Lowe), Investment (Lowe (Chair) and Parkinson), Remuneration (Wilson (Chair), Middleton, Lowe and Parkinson) and Nomination (Wilson (Chair), Middleton, Lowe and Parkinson), all of which meet throughout the year as required. The Remuneration Committee reviews and approves compensation and LTIP awards for all staff. The Audit Committee plays an active role, not only in overseeing the audit process and managing non-audit services to ensure the continued independence of the auditors, but also in addressing investment valuations, an area of key judgement for the business. Sir Peter Middleton also chairs the Board of Burford Capital Holdings (UK) Limited, a significant Burford subsidiary, to ensure non-executive oversight.

Collective responsibility of the directors: Burford's directors are experienced and collectively well-versed in the legislative and regulatory environment in which Burford operates. They are provided with relevant information in a timely manner (including a daily business update) and kept abreast of relevant information so that they can discharge their duties. The Board has overall responsibility for Burford's governance, strategy, risk management and key policies and engages in robust scrutiny of the business and its investment portfolios. The Board regularly evaluates its own performance and discusses improvements to its structure and processes.

Good standards of business conduct, integrity and ethical behaviour: The Board is subject to Burford's various integrity policies, including with regard to conflicts of interest, self-dealing and fiduciary duties.

Accountability for Burford's position and prospects: At its in-person quarterly meetings, the Board is presented with materials so it can meaningfully assess Burford's performance, measure the impact of the businesses' strategy and evaluate its position. Burford has a significant professional finance function that provides detailed management reporting and also prepares financial statements pursuant to International Financial Reporting Standards. The Board is in regular contact with Ernst & Young, Burford's auditors. The Board has ultimate responsibility for Burford's objectives and business plans.

Board oversight of risk management: As discussed in depth, the Board maintains oversight of risk by way of a comprehensive risk presentation at every quarterly Board meeting. Burford has a robust management team focused on risk, including a Chief Compliance Officer, a General Counsel and a number of other in-house lawyers. In addition dozens of the businesses' professional staff are lawyers, including many of the businesses' most senior managers.

Timely and balanced disclosure and reporting: The Board ensures appropriate and timely reporting pursuant to all applicable obligations.

Fair and responsible remuneration: The Remuneration Committee of the Board reviews and approves compensation for all employees and appointees. The Remuneration Committee is responsible for setting Burford's remuneration policy which is consistent with effective risk management.

Effective shareholder relations: The Board's general practice is to disclose publicly adequate materials relevant to Burford's performance whenever necessary or practical. The Board provides the AGM as a forum for shareholders to exercise their rights as well as supervises a robust investor relations program.

Burford's adoption of the Code is current as of the date of the release of this annual report and is reviewed as part of the Company's annual reporting process. There are no material departures from Burford's obligations under the Code.

Performance

The Board is responsible for Burford's corporate governance. In order to progress Burford's objectives, the Board meets regularly and is responsible for organising and directing Burford in a way that promotes its success. The Board is provided with full and timely access to all relevant information.

The principal matters considered by Burford's Board in 2019 included:

- Burford's strategy, related key performance measures and annual budget
- Regular reports from the Chief Executive Officer
- Reviews and updates on Burford's businesses and functions
- Reports and updates on the investment portfolio and specific investments
- Regular reports from the Board's committees
- Remuneration and pension matters including reward philosophy and strategy
- Recommendations of the Audit Committee on the fair value of investments
- The Annual Report & Accounts, the Interim Report and other ad hoc updates
- Capital management strategy, dividend policy and dividends
- Enterprise capability and individual succession plans

In addition, the Board undertook steps in the year to evolve governance of Burford. These included discussing, analysing and approving Burford's plan to procure a secondary listing on a US exchange; detailing succession plans for David Lowe, who will retire at the 2020 AGM, and Sir Peter Middleton, who will retire at the 2021 AGM; and appointing Jim Kilman to succeed Elizabeth O'Connell in the role of Chief Financial Officer.

Burford has an established organisational structure with clearly defined lines of responsibility to and delegation of authority by the Board. Details of the Group's risk management framework are described in the Risk Management section on pages 71 to 74.

Corporate responsibility

We summarise in this section a view of Burford through the lens of environmental, social and governance ("ESG") factors. In creating this summary, we have relied on guidance on the integration of ESG into investor reporting and communication from a number of sources, and we have had reference to the United Nations-supported Principles for Responsible Investment, to which many of our investors are signatories, the influence of which has been seen in the amendments to the UK Stewardship Code.

To set some context for Burford's reporting it must be remembered that Burford is a finance firm with a small workforce of 129 people. All our employees are "knowledge workers". Burford does not manufacture or produce anything tangible and its entire physical footprint is contained in relatively small offices that house our employees, their technology and their files—and little else. The tools of our trade are words and numbers, telephones and computers. We are not participants in any global supply chain. Thus, many ESG factors that are of deep concern with respect to other multinationals simply do not apply to Burford.

We would note that lawyers are regularly at the forefront of social change, and Burford's team is no exception. Many of our lawyers have litigated—often pro bono—some of the most significant social issues of the day and continue to be involved in such issues while at Burford. Indeed, Burford is a paradigm of a firm with deep focus on ESG issues simply by virtue of who we are, what we do and our culture.

We do not believe in focusing on ESG issues simply because investors are, but as they make sense for us as a business matter. An example of our approach is found in The Equity Project, a groundbreaking initiative we have designed and implemented to help close the gender gap in law by providing an economic incentive for change through a $50 million pool of capital earmarked for financing commercial litigation matters led by women. The Equity Project is discussed in greater detail on page 22 of this report.

We now discuss in more detail Burford's approach to the 12 ESG themes set forth in the FTSE Russell ESG model. As investor reporting expectations continue to develop, Burford will adapt its annual reporting accordingly.

Environmental

Climate change

As inhabitants of the planet, Burford and its employees are deeply concerned about climate change and its accelerating impact on the world in which we all live.

While Burford has much less impact on climate change than many companies, we nonetheless are focused on what we can do. A key initiative at Burford is to try to limit our carbon footprint. We make extensive and increasing use of videoconferencing to minimise physical travel, and when we do travel, we endeavour to do so efficiently and to combine multiple initiatives into a single trip. We emphasise choices such as ridesharing in preference to higher footprint activities such as rental cars.

In our offices, we are sensitive to environmental issues. Our Chicago office is located in a LEED ("Leadership in Energy and Environmental Design") Platinum building. The New York office we moved into in 2019 conserves energy by halting heating ventilation and air conditioning overnight. London presents greater challenges in terms of environmentally-efficient buildings for tenants of our size and budget, but our new office there has led environmental stewardship efforts by driving a new recycling initiative between building management, other tenants and the municipal authority. As a general matter, however, Burford is not a sufficiently large tenant to control any of the building systems or operations where our offices are located and thus we are reliant on our landlords; nor are we able to obtain actual data about our own activity levels around items such as emissions.

Pollution and resources

Burford has two approaches to combating pollution.

First, we discourage the creation of potentially polluting materials. In our business, that means mostly paper. This is an excellent example of a valuable ESG theme arising out of a sound business justification separate and apart from its societal benefits. We strongly discourage printing of materials and encourage our employees to work on-screen with digital copies. There are cost and environmental benefits to such an approach, to be sure, in that we use less paper, less toner and require fewer printers, but there are also core security benefits; printing the kind of routinely sensitive material with which we work increases the risk of disclosure of that material.

Second, we operate a robust recycling program in each of our offices and we discourage single-use items such as plastic water bottles; we have installed water filtration systems in each office instead.

Water use

Our only water use is in-office bathroom and drinking use. As part of our tenancy in LEED-certified buildings, our bathrooms use less water than traditional fixtures.

Biodiversity

This theme has little relevance to Burford's business.

Social

Human capital and labour standards

Burford's team is one of its key competitive advantages, and we expend considerable effort to create an environment that is appealing to the kind of people we recruit and to continue their development once employed. Competitive compensation is certainly an important part of that dynamic, but so too is a collaborative environment and mutual respect.

We also devote considerable resources to training and developing our team, especially as incoming employees are generally coming into the legal finance industry from adjacent industries for the first time—and indeed that is a limitation on our growth, as we believe that there is a limit to the number of people we can properly assimilate at any given time in light of the need to develop and inculcate them in not only Burford's approach but the fundamentals of the industry.

We also have a workforce with significant diversity across many differing metrics. We emphasise this not merely because we believe that diversity is a social good, but because it helps our investment decision-making. Fundamentally, our business is about trying to predict litigation outcomes. Those outcomes are determined by a wide range of people from differing backgrounds and with built-in predilections based on their own backgrounds and experiences. We will do a better job of predicting outcomes if we can field diverse teams who will consider possible investments from multiple perspectives.

When it comes to gender diversity, Burford has a long track record of having a substantial population of senior women. We have a much flatter organisational structure than many firms and, as a result, the Hampton-Alexander test does not fit us particularly well. However, taking the intent of the test and applying it to Burford, we stand at 35% women in leadership (13 of 37 executives). Moreover, we have a significant number of very senior women at Burford: The Chief Strategy Officer, Co-Chief Operating Officer, Chief Marketing Officer, Managing Director & Chief Innovation Officer, Chief Compliance Officer, Deputy General Counsel, Director of Global Public Policy and Managing Director-Litigation Finance IP roles are all filled by women. The heads of our New York and Chicago offices are both women. We also have 22, or 37%, women in the grade at the level of Vice President and higher, with at least two women at each level. Globally, women represent 42% of our full-time employees.

But gender is not our sole focus. We actively seek individuals with other differing backgrounds and life experience, and create an environment where all are welcome. For example, we have a number of LGBT employees, including in senior positions, and we have parental leave and other policies that accommodate the diversity of lifestyles present in our firm. We seek out people with multicultural or multijurisdictional experience and have many people who are multilingual or have professional qualifications in more than one country. When hiring, we actively consider diversity in all of its forms, including but not limited to gender and race.

As Burford has grown, we have focused on management depth, succession planning and the removal of key-person risk, and we are very pleased with our progress. We have a deep bench of experienced, sophisticated managers and we have been able to create redundancy across the organisation, along with a substantial record of promoting from within. Indeed, we just announced 12 internal promotions as part of our annual review process.

Burford has historically enjoyed quite low employee turnover after employees have been with us for a period of time. We consider training and development to be essential to attract and retain people of the highest calibre and we invest significantly in this area. Our performance management processes, career coaching and tailored training opportunities enable our people to develop and grow core skills, increase technical competence and develop into future leaders. There can, however, be an assimilation period upon joining Burford that does lead to some turnover, as we are generally hiring people who have not before previously done legal finance, and some recruits ultimately do not find a fit. Of the 53 employees who worked at Burford for at least three years, only five left during 2019.

Burford engages in a number of practices around employee engagement and development. We remain a small organisation. The senior management team knows personally every employee. We regularly hold events to which every employee is invited and we conduct Q&A sessions with senior management. We have an entrepreneurial culture where anyone is welcome to email the CEO about anything. But we also do more traditional things, like annual 360° performance reviews during which we actively solicit feedback about the business and its initiatives. And, of course, we have channels for reporting misconduct or other workplace issues. Employees are asked to escalate any known or suspected compliance policy violations or misconduct to the Chief Compliance Officer or, if they prefer, employees have the option to call or email a hotline (which is administered by a third party) on an anonymous basis. Burford also maintains a global anti-retaliation and whistleblower policy. Nothing in the policy prohibits an employee from reporting potential violations of law or regulation directly to a government agency. Retaliation of any type against an individual who reports any suspected misconduct or assists in the investigation of misconduct is strictly prohibited.

We are proud to have assembled what is arguably the leading and most experienced team in the legal finance industry. Not only do we bring hundreds of years and billions of dollars of litigation experience, but our team is multidisciplinary as well, with senior and experienced finance and investment professionals—a critical component in any investment decision making undertaking. We would encourage shareholders to visit our website to review the biographies of all of our team members.

Health and safety

Burford does not face many traditional health and safety issues in its workplace given the nature of its business. We have never had a material workplace accident or injury.

However, we are focused on employee health and wellness. To that end, because the US does not have a national healthcare scheme, Burford offers its US employees and their families a package of benefits that includes fully-paid health insurance and a contribution to a US device called a "health savings account" that can be used to pay for uninsured medical expenses. The economics of US healthcare are such that healthcare costs can be a source of very considerable stress and distraction for employees, and we are pleased to be able to offer this benefit to remove those strains—and to ensure that nothing stands in the way of employees obtaining medical care.

As to benefits more broadly, we offer competitive benefit plans in each of the countries where we operate, and those plans are offered to all employees across the business.

Customer responsibility

Clients are at the heart of Burford's business and it is a measure of our management of client relationships that 70% of initial clients return for incremental transactional business. We inculcate a culture of client-focused business. We seek to add real value to our interactions with clients and to work together to maximise successful outcomes. We strive for clarity and fairness in our dealings with clients, including clear and straightforward legal documents and honest appraisals of the investment prospects of potential matters.

Human rights and community

While not the typical ESG discussion around this theme, Burford does have an unusual take on this issue. Our capital can change outcomes in litigation matters, and in particular our capital can create outcomes that may be legally correct but challenging when viewed through a broader lens. Said another way, how do we decide whether there are cases we will elect not to finance, even if their merits are strong and they are likely to prevail and generate returns?

That is a core function for our Commitment Committee. We not only consider legal and economic analysis, but also the holistic viewpoint of a potential legal finance asset. As just one example, Burford refrains from financing litigation against impoverished small states, even when the underlying cases may well have merit, because we do not wish to put those governments in a position of having to reduce essential services to their populations in order to satisfy our returns.

We also consider carefully the underlying claims and their societal impact. This is less commonly an issue with corporate claimants as those companies tend to be defendants rather than plaintiffs. Nonetheless, the issues are very much front of mind when we review potential investments.

We endeavour to be good citizens within the legal communities in which we operate, and we support a variety of initiatives. For example, we are a member of the Justice 60, a group of 60 key supporters of JUSTICE, a longstanding all-party law reform and human rights organisation working to strengthen the justice system—administrative, civil and criminal—in the UK. We are also supporters of the work of the RAND Institute for Civil Justice, which is dedicated to making the US civil justice system more efficient and more equitable by supplying government and private decision-makers and the public with the results of objective, empirically based, analytic research. Its research analyses trends and outcomes, identifies and evaluates policy options and brings together representatives of different interests to debate alternative solutions to policy problems. We do not make any political contributions and our charitable contributions are limited to the law-related organisations discussed above along with a modest budget for charitable events to support clients or Burford people.

We are committed to preventing any form of slavery and human trafficking. We seek to ensure that there are no such practices in our business and supply chain. During the year we sent out a staff communication to raise awareness and continued to include anti-slavery considerations into supplier selection and due diligence. Burford's full policy on Modern Slavery can be found on our website.

Our vision is to provide an inclusive and respectful environment in which each individual is motivated to make their fullest contribution, in which they consider themselves to be fairly recognised, rewarded and included regardless of gender, age, race, sexual orientation, disability, religion or beliefs.

We do not tolerate discrimination of any kind and comply fully with appropriate human rights legislation. We aim for our employees to have a sense of wellbeing, and we promote a working culture where employees can freely question practices and suggest alternatives.

Governance

Anti-corruption

Burford is highly sensitive to issues around corruption, sanctions and money laundering. We run extensive compliance programs to ensure we are in the right place on these issues, and we take seriously allegations of corruption in matters we finance and diligence them with great care. We rely not only on our legal and compliance team but also on specialised outside counsel.

Corporate governance

We suggest that a number of the precepts of current corporate governance need to be considered in the relatively unique context of Burford. We have built a large and complex business quite rapidly; Burford only came into existence in late 2009. Moreover, our business and the industry in which we operate have regularly seen seismic changes during the decade of our existence. We believe that there is enormous value in a board, at this stage of our existence, that is deeply experienced in the business and has lived through its growth and history. We believe shareholders would be poorly served by rotating our directors off the Board simply because they have served for 10 years, for example.

Nevertheless, we have listened to our shareholders and we have started the process of making a number of changes to our corporate governance. We announced the intention of two of our long-serving non-executive directors to retire at the 2020 and 2021 AGMs, respectively, and the succession of our Chief Financial Officer. Subsequent to the 2019 year-end, we announced the nomination for shareholder election at our 2020 AGM of two independent non-executive directors and our Chief Executive Officer as a director. Furthermore, we disclosed that the Board had decided to seek a dual listing on a US stock exchange and, in that regard, Burford intends to file with the US Securities and Exchange Commission.

As noted previously, Burford is sensitive to the fact that its Board will remain, with these new appointments, entirely male, which is not our desire and is inconsistent with the significant level of gender diversity in the business. Burford will use its best efforts to ensure that its 2021 appointment will be a woman.

Tax transparency

Burford has historically been very transparent about its tax status, including disclosing tax paid by jurisdiction in the notes to our financial statements. We include a more detailed discussion of our tax situation on page 68 of the Financial and operational review.

Directors' report

To our shareholders:

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Business activities

Burford Capital Limited (the "company") and its subsidiaries (the "Subsidiaries") (together the "Group") provide capital, asset management, financing and risk solutions with a focus on the legal sector. The Company is incorporated under The Companies (Guernsey) Law, 2008. Shares in the Company were admitted to trading on AIM, a market operated by the London Stock Exchange, on 21 October 2009.

Corporate governance

The Directors recognise the high standards of corporate governance demanded of listed companies. The Company has adopted and complied with the Guernsey Code of Corporate Governance (the "Code").

Results and dividend

The results for the year are set out in the consolidated statement of comprehensive income on page 103.

Burford paid an interim dividend for 2019 of 4.17¢ in December, 2019. Given the economic uncertainties of the COVID-19 pandemic, the Directors are not proposing payment of a final dividend for 2019.

The Directors proposed and, following shareholder approval, paid a final 2018 dividend of 8.83¢ per share on 14 June 2019 to shareholders on the register as at close of business on 24 May 2019. This combined with an interim dividend of 3.67¢, paid in December 2018, resulted in a full year 2018 dividend of 12.50¢.

Because the Company is a US dollar-denominated business, dividends are declared in US dollars. For UK shareholders, those dividends will then be converted into Sterling shortly before the time of payment and paid in Sterling. Any UK shareholder who would like to receive dividends in US dollars instead of Sterling should contact the Registrar. US shareholders will automatically receive their dividends in US dollars unless they request otherwise.

Going concern

The Directors of the Company have reviewed and challenged Management's assessment of the ability of the Group to continue as a going concern. The details of this assessment, including the impacts of the COVID-19 pandemic, is included in note 2 to the consolidated financial statements on page 109 of this report. Based on this review the Directors believe that the Group has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements.

Directors

The Directors of the Company who served during the year and to date are as stated on page 76 of this report.

Directors' interests

The interests of the Directors are as stated on pages 81 and 82 of this report.

Statement of Directors' responsibilities in relation to the Group financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards.

Under The Companies (Guernsey) Law, 2008, the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- State that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements
- Make judgements and estimates that are reasonable and prudent

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with The Companies (Guernsey) Law, 2008 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Charles Parkinson
Director

on behalf of the Board

28 April 2020

Financial statements

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Reconciliation of Burford-only results to Consolidated statement of comprehensive income

IFRS requires the consolidation of certain investments that contain third-party capital, principally including the Strategic Value fund and the BOF-C fund which is the fund through which our Sovereign Wealth Fund arrangement is conducted. In our view, it is confusing to include the interests of investors other than Burford in our discussion of performance, and we have thus generally excluded the non-Burford portion of such funds from our presentation of our financial performance. The tables below provide a full reconciliation of the consolidated statement of comprehensive income and consolidated statement of financial position so that investors are able to relate our performance discussion with our published accounts.

		Elimination of third-party interests				
31 December 2019	**Consolidated IFRS $'000**	**Strategic Value fund $'000**	**BOF-C fund $'000**	**Other $'000**	**Other adjustments $'000**	**Burford-only $'000**
Capital provision income	**351,828**	**(16,036)**	**(13,399)**	**(5,613)**	**–**	**316,780**
Asset management income	**15,160**	**3,833**	**7,137**	**–**	**–**	**26,130**
Insurance income	**3,545**	**–**	**–**	**–**	**–**	**3,545**
Services income	**2,133**	**–**	**–**	**–**	**–**	**2,133**
Cash management income and bank interest	**6,703**	**(571)**	**(62)**	**–**	**–**	**6,070**
Foreign exchange gains/(losses)	**1,992**	**–**	**–**	**60**	**–**	**2,052**
Third-party share of gains relating to interests in consolidated entities	**(15,318)**	**3,463**	**6,304**	**5,551**	**–**	**–**
Total income	**366,043**	**(9,311)**	**(20)**	**(2)**	**–**	**356,710**
Operating expenses	**(91,402)**	**9,311**	**20**	**2**	**4,657**	**(77,412)**
Amortisation of intangible asset	**(9,495)**	**–**	**–**	**–**	**9,495**	**–**
Operating profit	**265,146**	**–**	**–**	**–**	**14,152**	**279,298**
Finance costs	**(39,622)**	**–**	**–**	**–**	**–**	**(39,622)**
Profit before tax	**225,524**	**–**	**–**	**–**	**14,152**	**239,676**
Taxation	**(13,417)**	**–**	**–**	**–**	**–**	**(13,417)**
Profit after tax	**212,107**	**–**	**–**	**–**	**14,152**	**226,259**
Other comprehensive income	**(17,525)**	**–**	**–**	**–**	**–**	**(17,525)**
Total comprehensive income	**194,582**	**–**	**–**	**–**	**14,152**	**208,734**

To assist in understanding the underlying performance of the Company, other adjustments exclude the impact of amortisation of intangible asset and operating expenses incurred related to (i) one-time expenses related to equity and listing matters of $1,754,000 and (ii) case-related legal fees not included in asset cost of $2,903,000. Services and other income of $13,800,000 included in the financial summary on page 2 is an aggregation of the Burford-only amounts insurance income, services income, cash management income and bank interest and foreign exchange gains/losses) included in the table above.

31 December 2018	Consolidated IFRS $'000	Elimination of third-party interests Strategic Value fund $'000	BOF-C fund $'000	Other $'000	Other adjustments $'000	Burford-only $'000
Capital provision income	404,230	(11,705)	–	–	–	392,525
Asset management income	11,691	4,108	–	–	–	15,799
Insurance income	10,406	–	–	–	–	10,406
Services income	1,650	–	–	–	–	1,650
Cash management income and bank interest	1,801	(334)	–	–	–	1,467
Foreign exchange gains/(losses)	(1,453)	(4)	–	(16)	–	(1,473)
Third-party share of gains relating to interests in consolidated entities	(3,348)	3,336	–	12	–	–
Total income	424,977	(4,599)	–	(4)	–	420,374
Operating expenses	(71,831)	4,599	–	4	1,734	(65,494)
Amortisation of intangible asset	(9,494)	–	–	–	9,494	–
Operating profit	343,652	–	–	–	11,228	354,880
Finance costs	(38,538)	–	–	–	–	(38,538)
Profit before tax	305,114	–	–	–	11,228	316,342
Taxation (expense)/credit	12,463	–	–	–	–	12,463
Profit after tax	317,577	–	–	–	11,228	328,805
Other comprehensive income	24,701	–	–	–	–	24,701
Total comprehensive income	342,278	–	–	–	11,228	353,506

To assist in understanding the underlying performance of the Company, other adjustments exclude the impact of amortisation of intangible asset and operating expenses incurred related to case-related legal fees not included in asset cost of $1,734,000. Operating expenses for 2018 now include $900,000 of banking and brokerage fees that were previously excluded from operating expenses for consistency in comparative prior periods. Services and other income of $12,050,000 included in the financial summary on page 2 is an aggregation of the Burford-only amounts insurance income, services income, cash management income and bank interest and foreign exchange gains/losses) included in the table above.

Reconciliation of Burford-only results to Consolidated statement of financial position

31 December 2019	Consolidated IFRS $'000	Elimination of third-party interests: Strategic Value fund $'000	BOF-C fund $'000	Other $'000	Burford-only $'000
Assets					
Cash and cash equivalents	186,621	(3,235)	(14,810)	(113)	168,463
Cash management assets	37,966	–	–	–	37,966
Due from brokers	95,226	(95,226)	–	–	–
Other assets	13,263	712	5,720	70	19,765
Due from settlement of capital provision assets	54,358	(22,899)	(9,796)	(2,674)	18,989
Capital provision assets	2,045,329	(73,535)	(92,162)	(45,642)	1,833,990
Equity securities	31,396	(31,367)	–	–	29
Tangible fixed assets	20,184	–	–	–	20,184
Intangible asset	8,703	–	–	–	8,703
Goodwill	133,999	–	–	–	133,999
Deferred tax asset	24,939	–	–	–	24,939
Total assets	2,651,984	(225,550)	(111,048)	(48,359)	2,267,027
Liabilities					
Financial liabilities at fair value through profit and loss	91,493	(91,493)	–	–	–
Due to brokers	51,401	(51,401)	–	–	–
Loan interest payable	9,462	–	–	–	9,462
Other liabilities	51,430	(329)	(65)	(41)	50,995
Loan capital	655,880	–	–	–	655,880
Capital provision asset subparticipations	13,944	–	(3,566)	(2,342)	8,036
Third-party interests in consolidated entities	235,720	(82,327)	(107,417)	(45,976)	–
Deferred tax liabilities	9,662	–	–	–	9,662
Total liabilities	1,118,992	(225,550)	(111,048)	(48,359)	734,035
Total net assets	1,532,992	–	–	–	1,532,992

31 December 2018	Consolidated IFRS $'000	Elimination of third-party interests: Strategic Value fund $'000	BOF-C fund $'000	Other $'000	Other adjustment $'000	Burford-only $'000
Assets						
Cash and cash equivalents	265,551	(14,574)	(15,000)	–	–	235,977
Cash management assets	41,449	–	–	–	–	41,449
Due from brokers	129,911	(129,911)	–	–	–	–
Other assets	16,313	5,477	14,916	–	–	36,706
Due from settlement of capital provision assets	37,109	–	–	–	–	37,109
Capital provision assets	1,641,035	(87,006)	–	(32,438)	(20,735)	1,500,856
Derivative financial asset	4,154	(4,154)	–	–	–	–
Equity securities	582	–	–	–	–	582
Tangible fixed assets	1,866	–	–	–	–	1,866
Intangible asset	18,198	–	–	–	–	18,198
Goodwill	133,966	–	–	–	–	133,966
Deferred tax asset	28,848	–	–	–	–	28,848
Receivable from sovereign wealth fund	–	–	–	–	20,735	20,735
Total assets	2,318,982	(230,168)	(84)	(32,438)	–	2,056,292
Liabilities						
Financial liabilities at fair value through profit and loss	112,821	(112,821)	–	–	–	–
Due to brokers	12,667	(12,667)	–	–	–	–
Loan interest payable	9,327	–	–	–	–	9,327
Other liabilities	31,046	(329)	(84)	(1)	–	30,632
Loan capital	638,665	–	–	–	–	638,665
Derivative financial liabilities	7,000	–	–	–	–	7,000
Capital provision asset subparticipations	3,244	–	–	171	–	3,415
Third-party interests in consolidated entities	136,959	(104,351)	–	(32,608)	–	–
Deferred tax liabilities	4,099	–	–	–	–	4,099
Total liabilities	955,828	(230,168)	(84)	(32,438)	–	693,138
Total net assets	1,363,154	–	–	–	–	1,363,154

Other adjustment excludes investments that were warehoused by a wholly-owned group subsidiary company under a forward purchase and sale agreement with a newly formed consolidated investment fund.

Opinion

We have audited the consolidated financial statements of Burford Capital Limited and its subsidiaries (together the 'group') for the year ended 31 December 2019 which comprise 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 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	▪ Incorrect valuation of Capital provision assets, including incorrect calculation of unrealised and realised gains and losses ▪ Incorrect goodwill impairment assessment ▪ Incorrect calculation of tax balances ▪ Incorrect recognition of asset management income ▪ Going concern (including assessment of impact of COVID-19) All of the above matters are considered to be significant risks, with the exception of going concern which is included as a new key audit matter for 2019, in respect of our consideration of the Company's assessment of the impact of the COVID-19 pandemic.
Materiality	▪ Overall group materiality of US$14.9m which represents 1% of Total net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	**Incorrect valuation of Capital provision assets, including incorrect calculation and disclosure of unrealised and realised gains and losses (fair value gains and losses)** **(Capital provision assets $2,045 million, 2018: US$1,641 million in the consolidated statement of financial position)** **(Fair value gains of $355.9million (2018 $400.6 million) included within Income on capital provision assets of $370.9million (2018 $411.6million) as set out in Note 6 to the financial statements)** Refer to the Accounting policies (pages 113 to 115); and Note 6 of the Consolidated Financial Statements (pages 122 to 125) The directors have concluded that the capital provision assets should be classified as financial instruments in accordance with IAS 32 (Financial Instruments – classification) and accounted for at fair value through the income statement in accordance with IFRS 9 (Financial Instruments). Owing to the illiquid nature of these capital provision assets, there is inherent valuation uncertainty in the assessment of fair valuation. The valuation is subjective and may require significant and/or complex judgments to be made. The fair value is determined for each capital provision asset based on objective events, such as court rulings or settlement offers, on the contractual entitlement at exit, the underlying risk profile of the litigation, a trial or an appellate outcome or other case events. Any other agreements in respect of settlement discussions or negotiations are factored into the valuation, as well as the credit risk associated with the capital provision asset and any relevant secondary market activity. One litigation matter, the YPF-related assets of Petersen and Eton Park, is the most significant of those the company is currently invested in. It represents $773m of the total capital provision assets (38%), and $188m of total current year capital provision income (53%) in both realised and unrealised gains by reference to the opening carrying value. There is a risk that inappropriate judgments made in the assessment of fair value, in particular in respect of the expected return on the legal judgement and the application of discounts could lead to the incorrect valuation of a capital provision asset. This could materially misstate the value of the capital provision assets in the consolidated statement of financial position and relevant fair value movements recognised in the consolidated statement of comprehensive income. There is also the risk that management may influence the significant judgments and estimates in respect of the valuation of capital provision assets. In respect of the realised gains recognised by management, there is a risk that realisations may not be correctly calculated based on the underlying agreements or that capital provision assets are incorrectly treated as concluded where litigation risk remains.

Our response to the risk	We confirmed with our accounting technical specialist that the capital provision assets were correctly classified as financial instruments in accordance with IAS 32 (Financial Instruments – classification) as the relevant capital asset contract contains a contractual right to receive cash (which may be contingent on the occurrence of a future event such as litigation success) and therefore meets the definition of a financial asset. We also confirmed that as financial assets they are recognised as required by IFRS 9 (Financial Instruments) at fair value through profit and loss (capital asset contractual terms do not give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding and therefore may not be carried at amortised cost or at fair value through other comprehensive income). For a sample of capital provision assets where there had been a change in fair value, we tested the assumptions, obtained supporting documentation, considered any relevant secondary market trading and assessed the application of the valuation policy to the capital provision asset valuation. Where there had not been a change to the assessed fair value during the year, we tested a sample of capital provision assets applying a combination of procedures, including considering externally available data on the state of progress of the litigation, obtaining other supporting documentation as appropriate and reviewing the contractual documentation, if acquired during the period. Additionally, we performed independent research in the public domain to ensure that any factors considered in the valuation were accurate and complete. We held discussions with management to determine the qualitative factors and the ongoing legal proceedings and whether there have been any changes in the facts and circumstances that suggest that the fair valuation is not appropriate. In all cases above, we considered whether the capital provision assets tested were assessed for fair value consistent with the Group's fair value policy guidelines. At our request, management engaged an independent counsel to perform an annual review of three specific capital provision assets selected by us. The review focussed on the significance of the legal judgements, events and assessments in respect of the relevant capital provision asset. We reviewed the Independent Counsel's conclusions, assessed his independence and objectivity and discussed with him the approach and judgements considered in reaching his conclusion. We engaged our valuations specialists to review samples of the valuations of specific capital provision assets to: ▪ use their relevant specialist valuation skills and cumulative industry knowledge and experience to assess and confirm the appropriateness of the valuation metrics applied and the correct application of the Group valuation policy guidelines; ▪ assess that the methodologies used and judgements applied to value capital provision assets were appropriate and consistently applied. In relation to the YPF-related asset of Petersen we obtained and reviewed evidence of the secondary market transaction entered into by the Group during the year to assess whether it represented a relevant third party transaction for the purpose of determining fair value. Assisted by our valuation specialists we considered whether events since the transaction date, including in relation to changes in assessments of Argentina's sovereign debt risk and other relevant economic factors should give rise to a change in the fair value based on that transaction. We performed back testing procedures on cases concluded in 2019 and, combining this with previous history, continued to challenge the ongoing valuation process and methodology as set out in the Group's detailed fair valuation policy guidelines and any significant judgments applied. For realised gains, on a sample basis, we obtained supporting documents such as settlement agreements and final court judgements to prove that the relevant capital provision asset no longer bears litigation risk. We held discussions with management to understand the finality of the agreements and on a sample basis, we recalculated the realised gains in line with the funding contracts and vouched the amounts to bank statements where appropriate. We made recommendations, that were adopted, in respect of enhanced disclosures within the financial statements.

Key observations communicated to the Audit Committee	We confirmed that there were no material matters arising from our audit work that we needed to bring to the attention of the Audit Committee. The valuation of capital provision assets was determined to be reasonable whilst recognising that as a result of the illiquid nature of these capital provision assets, there is inherent valuation uncertainty in the overall assessment of fair valuation. Appropriate inputs to the valuations were used for the capital provision assets tested and management judgments and estimates were considered to be reasonable and supported by relevant evidence. Litigation risk remains in respect of the YPF-related assets, and it is possible that the claim will lose or produce no recovery in the future (as may be the case for any litigation asset). However, we were satisfied that the year end fair value gave appropriate consideration of the relevant sovereign and economic factors, including the enforcement options that might be available were the claim to be successful. The capital provision asset valuations and resulting unrealised and realised gains are consistent with the Burford accounting policy and Group detailed valuation guidelines. The capital provision assets were appropriately assessed as financial assets in accordance with IAS 32 and accounted for at fair value through profit and loss in accordance with IFRS 9 and properly disclosed including as required by IFRS 7 (Financial Instruments: Disclosures).
Risk	**Incorrect goodwill impairment assessment** **(US$134.0 million, 2018: US$134.0 million)** Refer to the Accounting policies (page 112); and Note 20 of the Consolidated Financial Statements (pages 135 to 136) Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates concerning the estimated future cash flows which are in turn dependent on the directors' assumptions in relation to future returns and growth rates and on the application of an appropriate discount rate. There is a risk that inappropriate estimates are applied to the value in use calculation. This could misstate materially the carrying value by excluding any required impairment.
Our response to the risk	We reviewed and challenged the cash flow projections and key inputs used in the value in use model. Key inputs such as deployed capital, deployment rates and investment returns were compared to the context of the historical data of the group. We utilised our valuation specialists to assess critically the subjective inputs, such as discount rates and agree calculation inputs to available market data. We validated the mathematical accuracy and logical integrity of the model. Our valuation model specialists assessed the model formulae, ensuring they were consistently applied throughout. We considered the sufficiency of disclosures in the financial statements including the critical judgments and significant estimates and assessed whether they complied with IAS 36 (Impairment of Assets).
Key observations communicated to the Audit Committee	We confirmed that there were no material matters arising from our audit work that we needed to bring to the attention of the Audit Committee. Based on the procedures performed, we concluded that no material goodwill impairment was required and appropriate disclosures had been made in the financial statements.

Risk	**Incorrect calculation of tax balances** **(Deferred tax asset US$24.9 million, 2018: US$28.8 million; deferred tax liability US$9.6m, 2018: US$4.1m; in the consolidated statement of financial position)** **(Tax (payable) / receivable US($1.3) million, 2018 US$1.8 million; in the consolidated statement of financial position)** **(Taxation expense / (credit) US$13.4 million, 2018: US$(12.5) million in the consolidated statement of comprehensive income)** Refer to the Accounting policies (page 115); and Note 4 of the Consolidated Financial Statements (pages 117 to 118) **Accounting for multi-jurisdictional taxes** There is a risk the group may not have accrued correctly for corporate income taxes in the various jurisdictions in which it operates, including tax arising from disposals or movements in investment values. This includes the risk that structuring arrangements may not be operated as intended or may not be effective in achieving the tax position adopted. **Recognition of deferred tax assets** Deferred tax assets may not be appropriately recognised in the financial statements, taking into account the level of deferred tax asset arising and the ability to forecast utilisation of the asset.
Our response to the risk	We involved tax specialists to consider tax relevant to certain jurisdictions. In particular we used US tax specialists to review US tax advice received by the group, to consider the appropriateness of the advice and how this has been applied by the group. We obtained the deferred tax calculations and assessed the recoverability of the deferred tax assets. We evaluated the evidence supporting the reversal of temporary and permanent differences in the future and whether there will be sufficient future taxable profits available against which the temporary and permanent differences can be utilised. We performed a review of the realised and unrealised gains arising on capital provision assets to ensure that any tax aspects were appropriately recorded. We utilised our US tax specialists to review the group's assessment of uncertain tax positions. We considered new entities in the group in the current year and any potential tax that may arise involving other tax specialists as appropriate. We have read relevant tax advice received by the group and considered its application to the group. We tested the disclosures in the financial statements and ensured they complied with IAS 12 (Income Taxes).
Key observations communicated to the Audit Committee	We confirmed that there were no material matters arising from our audit work that we needed to bring to the attention of the Audit Committee. Based on the procedures performed, we concluded that the tax balances were not materially misstated and were appropriately disclosed in the financial statements.

Risk	**Incorrect recognition of asset management income** **(US$15.2 million, 2018: US$11.7 million in the consolidated statement of comprehensive income)** Refer to the Accounting policies (page 112); and Note 10 of the Consolidated Financial Statements (pages 128) Asset management fees are composed of management fees and performance fees. Management fees are calculated as a percentage of the invested or committed capital of the fund (depending on the fund specific terms) managed by the group while performance fees are earned when relevant contractual realised performance levels on exited capital provision assets are exceeded.
Our response to the risk	We recalculated the management fees ensuring they were in line with the relevant limited partnership and operating agreements and obtained evidence supporting all inputs into the calculations. We recalculated the performance fees income due and received in accordance with the contractual commitment under the relevant agreements and agreed all inputs used to source data. We traced the fees paid during the year to bank statements.
Key observations communicated to the Audit Committee	We confirmed that there were no material matters arising from our audit work that we needed to bring to the attention of the Audit Committee. Based on the procedures performed, we concluded that asset management income was not materially misstated.
Risk	**Going concern (including assessment of impact of COVID-19)** Refer to the Accounting policies Note 2 (page 109); and Note 32 of the Consolidated Financial Statements (pages 153) Since the balance sheet date the World Health Organisation has declared the outbreak of coronavirus ("COVID-19") to be a global pandemic. The Directors are required to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they are required to consider the ability of the Group to meet its financial obligations as and when they fall due and payable for a period of at least twelve months from the date of approval of the financial statements. They are also required to assess the adequacy of the going concern disclosures in the annual report and financial statements. The outbreak of COVID-19 and the resulting financial and economic market uncertainty described above, could have a significant adverse impact on the performance of the Company, which potentially could lead to the improper application of the directors' going concern assumption. There is also a risk that appropriate disclosure of the impact of COVID-19 has not been made in the financial statements.

Our response to the risk	We obtained an understanding of the process followed by management and the Directors to undertake the going concern assessment including assessing the relevant impact of COVID-19. We challenged the overall approach to and evidencing of the going concern assessment including the key assumptions and forecast amounts included in the forecast period. We considered their appropriateness in the context of supporting evidence obtained through our audit work. We reviewed the underlying projected cashflows to ensure that there were no unidentified or undisclosed events that could have an impact on the forecast. We performed testing to evaluate whether the covenant requirements would be met under base and stressed scenarios and considered the level of headroom under these scenarios. We evaluated, with the assistance of our specialists, the appropriateness of the stress test and reverse stress test scenarios, their assessed impact and the mitigations that management would have available to them in the event of these stressed scenarios. We held discussions with the Audit Committee and management to determine whether, in their opinion, there was any material uncertainty in respect of the adoption of the going concern assumption. We considered whether the Director's assessment of going concern as set out in the Annual Report was consistent with the evidence provided to us. We assessed that the disclosures in the financial statements in relation to COVID-19 adequately disclose the risk, potential impact on the group and mitigating actions that could be adopted.
Key observations communicated to the Audit Committee	We are satisfied that our procedures indicated that the directors had an appropriate basis on which to conclude that there is no material uncertainty in connection with the adoption of the going concern basis in the preparation of the financial statements.

An overview of the scope of our audit

Tailoring the scope for an integrated audit team

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements. All audit work was performed by one integrated audit team with one audit partner across the whole group. The team comprised individuals from Guernsey and the United Kingdom. We performed the audit procedures and responded to the risks identified as described above.

The components for which we performed full scope audits accounted for 96.7% (2018: 97.4%) of the Group's Profit Before Tax and 99.9% (2018: 98.6%) of the Group's Total Net Assets. The components for which we performed specific scope audits accounted for 2.1% of the Group's Profit Before Tax (2018: 2.6%) and 0.1% (2018:1.3%) of the Group's Total Net Assets.

There has been no change in our approach from the prior year other than the insurance revenue which was taken out of scope due to it being below our performance materiality threshold.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$14.9 million (2018: US$13.6 million), which is 1% (2018: 1%) of Total net assets. We believe that Total net assets provides an appropriate basis as the group's objective is to provide attractive levels of dividends and capital growth and the performance of the business is significantly based on the size and valuation of the capital provision assets.

During the course of our audit, we reassessed initial materiality and accordingly updated the materiality using year end figures.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2018: 75%) of our planning materiality, namely US$7.45m (2018: US$10.2m). We have set performance materiality at this percentage, which represents an overall increased risk assessment including in respect of the Group's stated intention to pursue a dual listing in the United States of America (and hence this is a change from 2018).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$0.7m (2018: US$0.7m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. There was no change in the percentage basis threshold of 5% used from prior year.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1-93 other than the consolidated financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the group, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the group's accounting records and returns; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 88, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the group's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
London

28 April 2020

Notes:

1. The maintenance and integrity of Burford Capital Limited web site 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 web site.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Income			
Capital provision income	6	**351,828**	404,230
Asset management income	10	**15,160**	11,691
Insurance income	11	**3,545**	10,406
Services income		**2,133**	1,650
Cash management income and bank interest	13	**6,703**	1,801
Foreign exchange gains/(losses)		**1,992**	(1,453)
Third-party share of gains relating to interests in consolidated entities		**(15,318)**	(3,348)
Total income		**366,043**	424,977
Operating expenses	14	**(91,402)**	(71,831)
Amortisation of intangible asset	19	**(9,495)**	(9,494)
Operating profit		**265,146**	343,652
Finance costs	17	**(39,622)**	(38,538)
Profit for the year before taxation		**225,524**	305,114
Taxation (expense)/credit	4	**(13,417)**	12,463
Profit for the year after taxation		**212,107**	317,577
Other comprehensive income			
Exchange differences on translation of foreign operations on consolidation		**(17,525)**	24,701
Total comprehensive income for the year		**194,582**	342,278

		Cents	Cents
Basic profit per ordinary share	28	**97.0**	150.7
Diluted profit per ordinary share	28	**96.6**	150.3
Basic comprehensive income per ordinary share	28	**89.0**	162.4
Diluted comprehensive income per ordinary share	28	**88.6**	162.0

The notes on pages 108 to 153 form an integral part of these consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2019

	Notes	**2019 $'000**	2018 $'000	1 January 2018 $'000
Assets				
Cash and cash equivalents		**186,621**	265,551	135,415
Cash management assets	13	**37,966**	41,449	39,933
Due from brokers		**95,226**	129,911	41,678
Other assets	15	**13,263**	16,313	8,650
Due from settlement of capital provision assets	8	**54,358**	37,109	3,248
Capital provision assets	6	**2,045,329**	1,641,035	1,089,395
Derivative financial asset		**–**	4,154	–
Equity securities	7	**31,396**	582	6,058
Tangible fixed assets	12	**20,184**	1,866	2,399
Intangible asset	19	**8,703**	18,198	27,692
Goodwill	20	**133,999**	133,966	134,022
Deferred tax asset	4	**24,939**	28,848	10,863
Total assets		**2,651,984**	2,318,982	1,499,353
Liabilities				
Financial liabilities at fair value through profit and loss	9	**91,493**	112,821	36,242
Due to brokers		**51,401**	12,667	–
Loan interest payable	17	**9,462**	9,327	5,397
Other liabilities	16	**51,430**	31,046	24,991
Loan capital	17	**655,880**	638,665	486,931
Derivative financial liabilities		**–**	7,000	–
Capital provision asset subparticipations		**13,944**	3,244	3,152
Third-party interests in consolidated entities	23	**235,720**	136,959	143,639
Deferred tax liabilities	4	**9,662**	4,099	437
Total liabilities		**1,118,992**	955,828	700,789
Total net assets		**1,532,992**	1,363,154	798,564
Equity				
Share capital	26	**609,954**	609,954	364,749
Reserves attributable to owners		**923,038**	753,200	433,815
Total shareholders' equity		**1,532,992**	1,363,154	798,564

The notes on pages 108 to 153 form an integral part of these consolidated financial statements.

The financial statements on pages 103 to 107 were approved by the Board of Directors on 28 April 2020 and were signed on its behalf by:

Charles Parkinson
Director

28 April 2020

Consolidated statement of cash flows
for the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit for the year before tax		**225,524**	305,114
Changes in working capital and non-cash items	3	**(281,501)**	(344,379)
Capital provision assets (note 3):			
Proceeds received		**491,252**	602,687
Net (funding) of/proceeds from financial liabilities at fair value through profit and loss		**(42,200)**	73,569
Net proceeds from/(cash paid) to due from/to brokers		**73,419**	(75,566)
Funding of derivative financial asset		**–**	(7,616)
Proceeds from equity security		**–**	624
Proceeds from asset recovery services		**1,123**	1,619
Net proceeds from/(funding) of cash management assets		**3,346**	(5,655)
Taxation paid		**(694)**	(2,273)
Net proceeds from/(cash paid) to third-party interests in consolidated entities		**83,443**	(10,028)
Net cash inflow/(outflow) from operating activities before new funding of capital provision assets		**553,712**	538,096
Capital provision assets (note 3):			
New funding of capital provision assets		**(562,018)**	(771,409)
Net cash inflow/(outflow) from operating activities		**(8,306)**	(233,313)

Consolidated statement of cash flows
for the year ended 31 December 2019 continued

	Notes	2019 $'000	2018 $'000
Cash flows from financing activities			
Issue of share capital		–	249,983
Issue expenses – share capital		–	(4,778)
Issue of loan capital and loan notes		–	180,000
Issue expenses – loan capital		–	(2,637)
Payments of lease liabilities		(1,433)	–
Interest paid on loan capital		(37,568)	(33,108)
Dividends paid on ordinary shares		(28,424)	(24,579)
Net cash (outflow)/inflow from financing activities		(67,425)	364,881
Cash flows from investing activities			
Purchases of tangible fixed assets		(3,398)	(104)
Net cash (outflow) from investing activities		(3,398)	(104)
Net (decrease)/increase in cash and cash equivalents		(79,129)	131,464

	2019 $'000	2018 $'000
Reconciliation of net cash flow to movements in cash and cash equivalents		
Cash and cash equivalents at beginning of year	265,551	135,415
(Decrease)/increase in cash and cash equivalents	(79,129)	131,464
Effect of exchange rate changes on cash and cash equivalents	199	(1,328)
Cash and cash equivalents at end of year	186,621	265,551

Supplemental disclosure	2019 $'000	2018 $'000
Cash received from interest and dividend income	6,849	6,377
Asset received in kind	29,645	–

The notes on pages 108 to 153 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2019

31 December 2019	**Share capital $'000**	**Contingent share capital $'000**	**Other capital reserve $'000**	**Revenue reserve $'000**	**Foreign currency consolidation reserve $'000**	**Capital redemption reserve $'000**	**Total equity shareholders' funds $'000**
Balance at 31 December 2018	**596,454**	**13,500**	**2,838**	**716,218**	**34,282**	**(138)**	**1,363,154**
Change in accounting policy – Leases	**–**	**–**	**–**	**(839)**	**–**	**–**	**(839)**
Restated at 1 January 2019	**596,454**	**13,500**	**2,838**	**715,379**	**34,282**	**(138)**	**1,362,315**
Profit for the year	**–**	**–**	**–**	**212,107**	**–**	**–**	**212,107**
Other comprehensive income	**–**	**–**	**–**	**–**	**(17,525)**	**–**	**(17,525)**
Share-based payments (note 27)	**–**	**–**	**4,519**	**–**	**–**	**–**	**4,519**
Dividends paid (note 29)	**–**	**–**	**–**	**(28,424)**	**–**	**–**	**(28,424)**
Balance at 31 December 2019	**596,454**	**13,500**	**7,357**	**899,062**	**16,757**	**(138)**	**1,532,992**

31 December 2018	Share capital $'000	Contingent share capital $'000	Other capital reserve $'000	Revenue reserve $'000	Foreign currency consolidation reserve $'000	Capital redemption reserve $'000	Total equity shareholders' funds $'000
As at 1 January 2018	351,249	13,500	1,152	423,220	9,581	(138)	798,564
Profit for the year	–	–	–	317,577	–	–	317,577
Other comprehensive income	–	–	–	–	24,701	–	24,701
Issue of share capital (note 26)	245,205	–	–	–	–	–	245,205
Share-based payments (note 27)	–	–	1,686	–	–	–	1,686
Dividends paid (note 29)	–	–	–	(24,579)	–	–	(24,579)
Balance at 31 December 2018	596,454	13,500	2,838	716,218	34,282	(138)	1,363,154

The notes on pages 108 to 153 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, asset management, financing and risk solutions with a focus on the legal sector.

The Company 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 financial statements cover the year from 1 January 2019 to 31 December 2019.

2. Basis of preparation and principal accounting policies

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

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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. Actual results may differ from these estimates. The consolidated financial statements are presented in United States Dollars and are rounded to the nearest $'000 unless otherwise indicated.

Significant estimates

The most significant estimates relate to the valuation of capital provision assets at fair value through profit or loss which are determined by the Group.

Fair values are determined on the specifics of each asset and will typically change upon an asset having a return entitlement or progressing in a manner that, in the Group's judgement, would result in a third party being prepared to pay an amount different from the original sum invested for the Group's rights in connection with the asset. Positive, material progression of an asset will give rise to an increase in fair value whilst adverse outcomes give rise to a reduction. The quantum of change depends on the potential future stages of asset progression. The consequent effect when an adjustment is made is that the fair value of an asset with few remaining stages is adjusted closer to its predicted final outcome than one with many remaining stages.

In litigation matters, before a judgment is entered following trial or other adjudication, the key stages of any matter and their impact on fair value is substantially case specific but may include the motion to dismiss and the summary judgment stages. Following adjudication, appeals proceedings provide further opportunities to re-assess the fair value of an asset.

The estimation of fair value is inherently uncertain. Awards and settlements are hard to predict and often have a wide range of possible outcomes. Furthermore, there is much unpredictability in the actions of courts, litigants and defendants because of the large number of variables involved and consequent difficulty of predictive analysis. In addition, there is little activity in transacting assets and hence little relevant data for benchmarking the effect of asset progression on fair value, although the existence of the Group's secondary market sales is a valuation input. Refer to note 21 for further details on the sensitivities of fair value.

There is a significant estimate required to support the recoverability of the deferred tax asset as it includes an amount relating to carried-forward US tax losses that can be utilised against future taxable profits of the Group's US business. The estimation of the future taxable profits is based on the business plans and approved budgets for those entities that require the use of assumptions for expected returns on capital provision assets, the level of future business activity and the structuring of capital provision assets for tax efficiency. The tax losses can be carried forward indefinitely and have no expiry date.

There is a significant estimate required in testing goodwill for impairment. This includes the identification of independent cash-generating units ("CGU") and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Cash flow projections necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. Determining both the expected cash flows and the risk-adjusted interest rate appropriate to the CGUs requires the exercise of judgement. The estimation of cash flows is sensitive to the periods for which the projections are made and to assumptions regarding long-term sustainable cash flows. Refer to note 20 for further details on sensitivities of goodwill.

Significant judgements

In connection with investment funds and other related entities where the Group does not own 100% of the entity in question, the Group makes judgements about whether it is required to consolidate such entities by applying the factors set forth in the relevant accounting standards, including but not limited to the Group's equity and economic ownership interest, the economic structures in use in the entity, the level of control the Group has over the entity through the entity's structure or any relevant contractual agreements, and the rights of other investors.

Non-controlling interests where the Group does not own 100% of a consolidated entity are classified as financial liabilities and recorded as third-party interest in consolidated entities on the consolidated statement of financial position when they contain an obligation to transfer a financial asset to another entity. Accordingly, third-party share of gains or losses relating to interest in consolidated entities is treated as a reduction or increase, respectively, of income on the consolidated statement of comprehensive income.

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.

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

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

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 certain of the Group's financial assets and liabilities to fair value.

The full extent to which the COVID-19 pandemic may impact Group's results, operations or liquidity is uncertain. At present the global economy is suffering considerable disruption due to the effects of the COVID-19 and Management has given serious consideration to the consequences of this for the litigation finance market in general and for the cashflows and asset values of the Group specifically over the next twelve months. In assessing the going concern basis of accounting Management has considered ongoing compliance with applicable loan capital covenants, and the year end cash balances and forecast cash flows, especially those relating to operating expenses, finance costs and commitments to capital provision assets.

The Group has certain covenants associated with its loan capital and at present the Group's financial situation does not suggest that any of these covenants are close to being breached. The analysis performed has considered the extraordinary nature of the current economic situation and included a number of stress tests to examine the possible circumstances which could result in the Group's covenants being breached. Based on this analysis, it is Management's opinion that the circumstances which would give rise to a covenant breach are highly unlikely. The first repayment on the Group's loan capital is not due until August 2022.

In addition to the possible effect of the coronavirus pandemic on debt covenants, Management has performed a COVID-19 impact analysis on the Group's liquidity position using information available as at the date of issue of these financial statements. This analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on Group's liquidity as well as incorporating relevant reverse stress test scenarios and any mitigations available to assess the stresses the Group has to endure before there is a liquidity concern. The mitigations considered include deferring deployments on commitments to capital provision assets, liquidations or sales of an interest in one or more of the Group's capital provision assets and reducing the level of new commitments to capital provision assets in the current year. Having considered the likelihood of the events which could cause a liquidity issue and the remedies available to the Group, Management is of the view that Group is well placed to manage such an eventuality satisfactorily.

Based on this information, Management believe that the Group has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Statement of financial position

The consolidated statement of financial position is presented to show assets and liabilities in a decreasing order of liquidity. In accordance with IAS 1 Presentation of Financial Statements this presentational format has been adopted for the year ended 31 December 2019 as it is considered to provide more relevant information than a current/ non-current presentation because the Group does not supply goods or services within a clearly identifiable operating cycle. A maturity analysis of all the Group's assets and liabilities is included at note 22.

2. Basis of preparation and principal accounting policies continued

The combination of presenting the assets and liabilities in a decreasing order of liquidity, and the new segment information as disclosed in note 5, has resulted in the following changes to individual line items in the statement of financial position:

- Capital provision assets – this combines the previously reported 'Investments', 'New initiatives investments' and 'Investment income receivables' into a single line item. In addition, the single remaining financial asset held at amortised cost has been transferred to 'Other assets' and therefore all items within this category are classified at fair value through profit and loss.
- Other assets – this combines the previously reported 'Receivables and prepayments' and 'Tax receivable' into a single line item including the asset transferred from 'Investments' above.
- Due from settlement of capital provision assets – this combines the previously reported amount of 'Due from settlement of investments' split between non-current and current into a single line item.
- Other liabilities – this combines the previously reported 'Payables' and 'Due to limited partners' into a single line item.

The tables below presents a reconciliation of the above changes from the previously reported 2018 financial statements to these new classifications.

	2018 $'000	1 January 2018 $'000
Capital provision assets		
Investments	1,592,378	1,075,941
New initiative investments	42,856	10,189
Investment income receivables	7,301	4,765
Less: transfer to Other assets	(1,500)	(1,500)
	1,641,035	1,089,395
Other assets		
Receivables and prepayments	12,990	5,474
Tax receivable	1,823	1,676
Plus: transfer from Investments	1,500	1,500
	16,313	8,650
Due from settlement of capital provision assets		
Due from settlement of investments (non-current)	3,083	3,083
Due from settlement of investments (current)	34,026	165
	37,109	3,248
Other liabilities		
Payables	31,038	23,833
Due to limited partners	8	1,158
	31,046	24,991

In addition, the shareholders' equity section of the consolidated statement of financial position has been amended this year to present line items for 'Share capital' and 'Reserves attributable to owners' to avoid repetition of the detail already provided in the consolidated statement of changes in equity on page 107.

In order to assist in understanding these changes, a consolidated statement of financial position as at 1 January 2018 has been included on page 104.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 or 2017 reporting periods, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities of $6,785,000 in relation to property leases which had previously been classified as operating leases in accordance with IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.7%. Lease liabilities are included within other liabilities in the consolidated statement of financial position. The carrying amounts of the right-of-use assets were measured as if the new rules had always been applied but using the incremental borrowing rate at the date of initial application.

The Group has applied the relief options provided for leases of low-value assets and short-term leases (shorter than twelve months) and the transitional practical expedient to account for operating leases with a remaining term of less than 12 months as at 1 January 2019 as short-term leases. Right-of-use assets are included within tangible fixed assets in the consolidated statement of financial position.

New accounting pronouncement not yet effective

The following issued standard, which is not yet effective, has not been adopted in these financial statements.

		Effective Date
IFRS 17	Insurance Contracts	1 Jan 2023

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. In June 2019, the IASB published an exposure draft of amendments to IFRS 17 in response to feedback received. The IASB has confirmed further changes that will be made to the standard, with the implementation date extended to annual periods beginning on or after 1 January 2023. The Group intends to adopt IFRS 17 on the effective date and is currently assessing the expected impact of adopting this standard which is not expected to be material to the Group.

Insurance activities

The Group both (i) acts as an administrator in the sale of legal expenses insurance policies issued in the name of Great Lakes Reinsurance (UK) Plc, a subsidiary of MunichRe, under a binding authority agreement, and (ii) underwrites legal expenses insurance policies through its wholly owned subsidiary and Guernsey based insurer, Burford Worldwide Insurance Limited ("BWIL").

(i) Insurance administrator

Income earned from acting as an insurance administrator represents commissions receivable which are calculated based on 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. The payment of premiums is often contingent on a case being won or settled and the Group recognises the associated income only at this point, whilst a deduction is made for claims estimated to be paid on all policies in force. This income is separately identified as "Insurance administrator commission" included in note 11.

(ii) Insurance underwriting

Insurance policies written by BWIL are subject to contractual reinsurance arrangements that transfer a significant portion of the insurance risk to the reinsurers with BWIL retaining a portion of the insurance risk of each contract. Contracts are typically written with an upfront premium payable and may also include a conditional premium. The payment of conditional premiums is often contingent on a case being won or settled and the Group recognises the associated conditional premium amount only at this point.

Gross premiums written
Premiums written relate to insurance business incepted during the year. Full account is taken of premiums receivable and reinsurance premiums payable during the year.

Unearned premiums
Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force as at the statement of financial reporting date, calculated on a time apportionment basis.

2. Basis of preparation and principal accounting policies continued

Claims reserving
Provision is made for all outstanding loss reserves as notified by the insured. Provision is made for claims incurred but not reported based on previous claims experience. Neither provision is calculated on a discounted basis to take account of the period from incurring the loss to settlement thereof, as permitted by IFRS 4 Insurance Contracts.

Claims reserves comprise provision for the estimated cost of settling all claims incurred up to but not paid at the year end.

The level of the provision is set on the basis of the information available, including potential loss claims which have been intimated to the Group, experience of the development of similar claims and case law. While the directors consider that the provision for these claims is fairly stated on the basis on the information currently available to them, the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts provided are reflected in the financial statements in the accounting period in which the adjustments are made.

Claims paid
Claims are recorded in the year in which they are incurred.

Asset management income

Asset management income is derived from the governing agreements in place with various investment funds under management. The rate or amount at which fees are charged, the basis on which such fees are calculated, and the timing of payment, vary across funds and, as to a particular fund, may also vary across investment options available to underlying investors in or members of the investment fund. Management fees are generally based on an agreed percentage of investor fund commitments, amounts committed or deployed depending on the fund agreements. Management fees are recognised over time as the services are provided. Performance fees are earned when contractually agreed performance levels are exceeded within specified performance measurement periods. They are recognised when a reliable estimate of the fee can be made and it is highly unlikely that a significant reversal of the amount will occur, which is generally at the end of the performance period.

Segment reporting

Management considers that there are three operating business segments: (i) provision of capital to the legal industry or in connection with legal matters, both directly and through investment in the Company's managed funds, (ii) asset management activities, (iii) the provision of services to the legal industry, including litigation insurance and asset recovery (judgment enforcement), and other corporate activities.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in the consolidated statement of comprehensive income. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are reflected in the consolidated statement of comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities assumed on the date of the acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU's that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Intangible asset

The intangible is recognised at fair value when acquired as part of a business combination. It represents the future cash flows of asset management income recognised in accordance with the Group's policy for the recognition of asset management income. This intangible is amortised to the income statement on a straight line basis over the period revenue is expected to be earned.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the consolidated statement of comprehensive income.

Financial instruments

The Group classifies its financial instruments into the categories below in accordance with IFRS 9.

1) Capital provision assets
Capital provision assets relate to the provision of capital to the legal industry or in connection with legal matters. The Group takes positions in assets where legal and regulatory risk can affect asset value, either through direct litigation or through other dynamics relating to that risk. Capital provision assets are comprised of financial assets held at fair value through profit or loss as the contractual terms of the financial assets do not give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding. Capital provision assets are initially measured at fair value which is the sum of capital provided. Attributable due diligence and closing costs are expensed.

Recognition, derecognition and measurement

Purchases and sales of assets at fair value through profit or loss are generally recognised on the trade date, being the date on which the Group disburses funds in connection with the asset (or becomes contractually committed to pay a fixed amount on a certain date, if earlier). In some cases, multiple disbursements occur over time. Capital provision assets are initially measured at fair value which is the sum of capital provided. An asset that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms, or if the terms of an existing agreement are modified, such that the renegotiated asset is substantially a different financial instrument.

Movements in fair value on investments are included within capital provision income in the consolidated statement of comprehensive income. Capital provision income can also consist of interest that is accrued or received on capital provision assets.

2) Financial assets and liabilities at amortised cost
Financial assets and liabilities held at amortised cost include loan capital, other assets, other liabilities, due to/from broker, and amounts due from settlement of capital provision assets. The financial assets meet the contractual cash flow test as these cash flows comprise solely payments of principal and interest and are held in a business model to receive those contractual cash flows. Financial assets and liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment for non-recoverable amounts calculated using an expected credit loss model for financial assets.

3) Cash management assets
Assets acquired for the purpose of cash management to generate returns on cash balances awaiting subsequent investment are managed and evaluated on a fair value basis 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

Cash management assets through profit or loss are recorded on the trade date, and those held at the year end date are valued at bid price.

Listed interest-bearing debt securities are valued at their quoted bid price. Interest earned on these assets is recognised on an accrual basis. Listed corporate bond funds are valued at their quoted bid price. Unlisted managed funds are valued at the Net Asset Value per share published by the administrator of those funds as it is the price at which they could have been realised at the reporting date.

Movements in fair value and realised gains and losses on disposal or maturity of cash management assets, including interest income, are reflected in cash management income and bank interest in the consolidated statement of comprehensive income.

2. Basis of preparation and principal accounting policies continued

4) Derivative financial assets and liabilities
Options are held for the purpose of hedging gains and losses attributable to long equity positions held within capital provision assets and one put option contract has been recognised relating to a sale of a capital provision asset (see note 6). Derivative assets and liabilities are classified as fair value through profit or loss, and movements in fair value are included within capital provision income in the consolidated statement of comprehensive income.

5) Financial liabilities at fair value through profit and loss
Equity securities are held for the purpose of hedging offsetting gains and losses attributable to long equity positions held within capital provision assets and are classified as held for trading as they are generally held in the near-term to hedge that exposure. Movements in fair value on financial liabilities at fair value through profit and loss and transaction costs incurred are included within capital provision income in the consolidated statement of comprehensive income.

6) Asset subparticipations
Asset subparticipations are classified as financial liabilities at fair value through profit and loss and are initially recorded at the fair value of proceeds received. They are subsequently measured at fair value with changes in fair value being recorded in capital provision income in the consolidated statement of comprehensive income.

7) Third-party interests in consolidated entities
Third-party interests in consolidated entities are classified as financial liabilities at fair value through profit and loss as the underlying arrangements contain an obligation to transfer cash or other financial asset to the holder in certain circumstances. Amounts included in the consolidated statement of financial position represent the net asset value of the third-parties' interest in each entity and the amounts included in the consolidated statement of comprehensive income represent the third-parties' share of any gains or losses for the year.

Fair value hierarchy of financial instruments

The financial assets and liabilities 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).

Valuation Methodology for Level 1 Investments

Level 1 assets and liabilities are comprised of listed instruments including equities, fixed income securities, investment funds and financial liabilities at fair value through profit and loss. All level 1 assets and liabilities are valued at the quoted market price as of the reporting date.

Valuation Methodology for Level 2 Investments

Level 2 assets are comprised of equity securities that are not actively traded and are valued at the last traded price as of the reporting date provided there is evidence the price is not assessed as significantly stale to warrant a level 3 classification..

Valuation Processes for Level 3 Investments

The Group's senior professionals are responsible for developing the policies and procedures for fair value measurement of assets and liabilities. At each reporting date, the movements in the values of assets and liabilities are required to be re-assessed as per the Group's accounting policies. Following origination, each asset's valuation is reviewed semi-annually. For this analysis, the reasonableness of material estimates and assumptions underlying the valuation are discussed and the major inputs applied are verified by agreeing the information in the valuation computation to contracts, asset status and progress information and other relevant documents.

The semi-annual reviews are presented to the Audit Committee and the Group's independent auditors.

Valuation Methodology

Fair value represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants as of the measurement date.

The methods and procedures to fair value assets and liabilities may include, but are not limited to: (i) obtaining information provided by third-parties when available; (ii) obtaining valuation-related information from the issuers or counterparties (or their advisors); (iii) performing comparisons of comparable or similar assets; (iv) calculating the present value of future cash flows; (v) assessing other analytical data and information relating to the asset that is an indication of value; (vi) reviewing the amounts funded in these assets; (vii) evaluating financial information provided by the asset counterparties and (viii) entering into a market transaction with an arm's-length party.

The material estimates and assumptions used in the analyses of fair value include the status and risk profile of the risks underlying the asset, the timing and expected amount of cash flows based on the asset structure and agreement, the appropriateness of discount rates used, if any, and in some cases, the timing of, and estimated minimum proceeds from, a favourable outcome. Significant judgement and estimation goes into the assumptions which underlie the analyses, and the actual values realised with respect to assets could be materially different from values obtained based on the use of those estimates.

Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company, as determined in accordance with IFRS, is the United States Dollar ("US Dollar") because this is the currency that best reflects the economic substance of the underlying events and circumstances of the Company and its Subsidiaries. The consolidated financial statements are presented in US Dollars, the presentation currency.

Certain subsidiaries operate and prepare financial statements denominated in Sterling. For the purposes of preparing consolidated financial statements, those subsidiaries' 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 year.

Exchange differences arising are recognised in other comprehensive income and accumulated in equity (foreign currency consolidation reserve).

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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies including intragroup balances are recognised in the Consolidated Statement of Comprehensive Income as part of the profit or loss for the year.

Since April 2016, certain intragroup balances are now considered, in substance, to form part of a net investment in a foreign operation. Gains and losses on such balances are recognised in other comprehensive income, with a gain of $1,125,000 recognised in the current year (2018: loss of $1,888,000).

Bank interest income

Bank interest income is recognised on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis.

Finance costs

Finance costs represent loan capital interest and issue expenses in line with the effective interest rate method and lease liabilities interest which are recognised in the consolidated statement of comprehensive income.

Cash and cash equivalents

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

Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted.

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

Deferred tax is provided on the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2. Basis of preparation and principal accounting policies continued

Dividends

Dividends paid during the year are shown in the consolidated statement of changes in equity.

Tangible fixed assets

Fixed assets are recorded at cost less accumulated depreciation and provision for impairment. Depreciation is provided to write off the cost less estimated residual value in equal instalments over the estimated useful lives of the assets. The expected useful lives are as follows:

Right-of-use assets	Life of lease
Leasehold improvements	Life of lease
Fixtures, fittings and equipment	5 years
Computer hardware and software	3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in income.

Prepayments and other payables

Prepayments and other payables are recognised at nominal value and are non-interest-bearing.

Capital and reserves

Ordinary shares are classified as equity in share capital. Contingent shares are classified as equity in share capital, where shares will be issued and converted to ordinary shares only after the specified terms have been met. Other capital reserve is the obligation for the long term incentive plan issuance of shares to the Group's employees. Incremental costs directly attributable to the issue of new shares are deducted from equity in share capital.

3. Supplemental cash flow information

Changes in working capital and non-cash items	2019 $'000	2018 $'000
Income on capital provision assets	**(370,898)**	(411,612)
Interest and other income from capital provision assets	**(1,870)**	(1,692)
Increase in capital provision asset subparticipation	**–**	92
(Gain)/loss on equity securities	**(1,169)**	4,852
Asset recovery fee for services income	**(2,133)**	(1,650)
Loss on derivative financial asset	**4,154**	3,462
Realised gain on derivative financial liabilities	**(7,000)**	(2,250)
Income on cash management assets	**137**	4,139
Loss on financial liabilities at fair value through profit and loss	**20,872**	3,010
Third-party share of gains relating to interests in consolidated entities	**15,318**	3,348
Decrease/(increase) in other assets and deferred tax asset	**3,777**	(26,080)
(Decrease)/increase in other liabilities and deferred tax liabilities	**(3,488)**	24,755
Increase in payable for capital provision assets	**36**	–
Finance costs	**39,622**	38,538
Amortisation and depreciation of intangible assets and tangible fixed assets	**12,017**	10,111
Impairment	**4,083**	–
Right-of-use assets and associated lease liability	**970**	–
Other non-cash including exchange rate movements	**4,071**	6,598
Total changes in working capital and non-cash items	**(281,501)**	(344,379)

The following tables provide a supplemental breakout of the cash inflows and outflows for capital provision assets related line items between direct and indirect.

31 December 2019	**Capital provision-direct assets $'000**	**Capital provision-indirect assets $'000**	**Total $'000**
Proceeds received	**207,167**	**284,085**	**491,252**
Increase in payable for capital provision assets	**36**	**–**	**36**
New funding	**(337,862)**	**(224,156)**	**(562,018)**

31 December 2018	Capital provision-direct assets $'000	Capital provision-indirect assets $'000	Total $'000
Proceeds received	286,872	315,815	602,687
New funding	(419,615)	(351,794)	(771,409)

Capital provision-direct assets referenced above in this note are those in which Burford has provided financing directly to a client or to fund a principal position in a legal finance asset.

Capital provision-indirect assets represent those through which the Company's capital is provided through a fund as a limited partner contribution instead of directly. At 31 December 2019 and 2018, capital provision-indirect assets consisted entirely of assets held through the Burford Strategic Value Fund. Burford does not invest capital in the BOF-C fund and accordingly it is included in direct and not capital provision-indirect assets. Refer to the statement of financial position section in note 2 for a detailed explanation of the presentational changes made this year.

4. Taxation

The Company obtained exempt company status in Guernsey. In certain cases, a subsidiary of the Company may elect to make use of financing structures that are subject to income tax in a country related to the investment. The Company's subsidiaries in Ireland, Singapore, the UK and the US are subject to taxation in such jurisdictions as determined in accordance with relevant tax legislation.

	2019 $'000	2018 $'000
Profit on ordinary activities before tax	**225,524**	305,114
Corporation tax at country rates	**(3,227)**	(15,926)
Factors affecting charge:		
Adjustment in respect of prior year	**3,027**	2,250
Tax losses not recognised	**12,979**	340
Costs not allowable for tax	**74**	82
Other	**564**	791
Total taxation charge/(credit)	**13,417**	(12,463)

Corporation tax at country rates is influenced by taxable profits and losses arising in jurisdictions at different rates and non-taxable gains and losses arising on fair value adjustments. Cash taxes paid during the year ended 31 December 2019 amounted to $694,000 (2018: $2,273,000).

4. Taxation continued

The taxation charge for the year comprises:

	2019 $'000	2018 $'000
US subsidiaries taxation charge	**340**	1,790
Irish subsidiaries taxation charge/(credit)	**3,272**	(191)
UK subsidiaries taxation charge	**290**	79
Non-resident taxation charge	**110**	179
US deferred taxation charge/(credit)	**9,476**	(14,241)
UK deferred taxation (credit)	**(71)**	(79)
Total taxation charge/(credit)	**13,417**	(12,463)

Included in the deferred tax asset recognised at the balance sheet date are amounts relating to operating losses that the Group believes it will be able to utilise in the future. In December 2017, the US government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made broad and complex changes to the US tax code including, but not limited to, the creation of a new limitation on deductible interest expense under Internal Revenue Code Section 163(j). During the year ended 31 December 2019, the Group has not recognised a deferred tax asset of $10,928,000 (2018: $nil) relating to this interest expense limitation as the carryovers are not expected to be utilised in the foreseeable future under the current interpretation of the applicable statute.

Deferred tax asset	2019 $'000	2018 $'000
Balance at 1 January	**28,848**	10,863
Movement on UK deferred tax – temporary differences	**195**	60
Movement on US deferred tax – temporary differences	**(4,112)**	17,925
Foreign exchange adjustment	**8**	–
Balance at 31 December	**24,939**	28,848

Deferred tax liability	2019 $'000	2018 $'000
Balance at 1 January	**4,099**	437
Movement on UK deferred tax – temporary difference	**193**	(19)
Movement on US deferred tax – temporary differences	**5,363**	3,684
Foreign exchange adjustment	**7**	(3)
Balance at 31 December	**9,662**	4,099

	2019 $'000	2018 $'000
Net deferred tax asset	**15,277**	24,749

Analysis of net deferred tax asset by type	2019 $'000	2018 $'000
Staff compensation and benefits	**5,047**	7,050
GKC acquisition costs	**(3,323)**	(1,767)
Capital provision asset fair value adjustments	**(4,236)**	7,040
Capital allowances	**(332)**	(91)
Other deduction limitations	**1,257**	–
Net operating loss carry forward	**16,864**	12,517
	15,277	24,749

5. Segmental information

Management considers that there are three operating business segments: (i) provision of capital to the legal industry or in connection with legal matters, both directly and through investment in the Company's managed funds, (ii) asset management activities, (iii) the provision of services to the legal industry, including litigation insurance and asset recovery (judgment enforcement), and other corporate activities.

The Group has reassessed its presentation of consolidated segment information during the year. The previously used segment for 'New initiatives' most recently contained two key activities; the provision of capital to asset recovery matters and fees earned for asset recovery services provided. This segment has historically been used for new business activity until such time that it becomes a core part of Burford's business. The capital provision to asset recovery matters is now an established core activity for Burford which is operated and managed in the same way as the Group's other capital provision to legal finance matters. Accordingly, this activity is now reported with the new 'Capital provision' segment along with the capital provision to legal finance matters previously reported in the 'Investments' segment. Fee for service work and activity included in the old 'Litigation insurance' segment are not material to the Group and have been included in 'Services and other corporate'. These presentational changes are as a result of the continuing evolution of Burford's business and consistent with how management evaluates the Group.

Consolidated segment revenue and results

31 December 2019	Capital provision $'000	Asset management $'000	Services and other corporate $'000	Total $'000
Income*	**336,510**	**15,160**	**14,373**	**366,043**
Operating expenses	**(57,919)**	**(19,797)**	**(13,686)**	**(91,402)**
Amortisation of intangible asset arising on acquisition	**–**	**–**	**(9,495)**	**(9,495)**
Finance costs	**–**	**–**	**(39,622)**	**(39,622)**
Profit/(loss) for the year before taxation	**278,591**	**(4,637)**	**(48,430)**	**225,524**
Taxation	**(10,826)**	**89**	**(2,680)**	**(13,417)**
Other comprehensive income	**–**	**–**	**(17,525)**	**(17,525)**
Total comprehensive income	**267,765**	**(4,548)**	**(68,635)**	**194,582**
*Includes the following revenue from contracts with customers for services transferred over time	**–**	**15,160**	**5,678**	**20,838**

31 December 2018	Capital provision $'000	Asset management $'000	Services and other corporate $'000	Total $'000
Income*	400,882	11,691	12,404	424,977
Operating expenses	(44,046)	(12,175)	(15,610)	(71,831)
Amortisation of intangible asset arising on acquisition	–	–	(9,494)	(9,494)
Finance costs	–	–	(38,538)	(38,538)
Profit/(loss) before taxation	356,836	(484)	(51,238)	305,114
Taxation	15,193	(164)	(2,566)	12,463
Other comprehensive income	–	–	24,701	24,701
Total comprehensive income	372,029	(648)	(29,103)	342,278
*Includes the following revenue from contracts with customers for services transferred over time	–	11,691	12,056	23,747

5. Segmental information continued

Consolidated segment assets and liabilities

31 December 2019	Capital provision $'000	Asset management $'000	Services and other corporate $'000	Total $'000
Assets				
Cash and cash equivalents	122,909	248	63,464	186,621
Cash management assets	–	–	37,966	37,966
Due from brokers	95,226	–	–	95,226
Other assets	6,462	2,012	4,789	13,263
Due from settlement of capital provision assets	54,358	–	–	54,358
Capital provision assets	2,045,329	–	–	2,045,329
Equity securities	31,396	–	–	31,396
Tangible fixed assets	15,380	–	4,804	20,184
Intangible asset	–	–	8,703	8,703
Goodwill	–	–	133,999	133,999
Deferred tax asset	23,718	–	1,221	24,939
Total assets	2,394,778	2,260	254,946	2,651,984
Liabilities				
Financial liabilities at fair value through profit and loss	91,493	–	–	91,493
Due to brokers	51,401	–	–	51,401
Loan interest payable	–	–	9,462	9,462
Other liabilities	220	467	50,743	51,430
Loan capital	–	–	655,880	655,880
Capital provision asset subparticipations	13,944	–	–	13,944
Third-party interests in consolidated entities	235,720	–	–	235,720
Deferred tax liabilities	5,400	–	4,262	9,662
Total liabilities	398,178	467	720,347	1,118,992
Total net assets	1,996,600	1,793	(465,401)	1,532,992

31 December 2018	Capital provision $'000	Asset management $'000	Services and other corporate $'000	Total $'000
Assets				
Cash and cash equivalents	97,847	648	167,056	265,551
Cash management assets	–	–	41,449	41,449
Due from brokers	129,911	–	–	129,911
Other assets	5,959	2,263	8,091	16,313
Due from settlement of capital provision assets	37,109	–	–	37,109
Capital provision assets	1,641,035	–	–	1,641,035
Derivative financial asset	4,154	–	–	4,154
Equity securities	582	–	–	582
Tangible fixed assets	1,353	191	322	1,866
Intangible asset	–	–	18,198	18,198
Goodwill	–	–	133,966	133,966
Deferred tax asset	28,116	–	732	28,848
Total assets	1,946,066	3,102	369,814	2,318,982
Liabilities				
Financial liabilities at fair value through profit and loss	112,821	–	–	112,821
Due to brokers	12,667	–	–	12,667
Loan interest payable	–	–	9,327	9,327
Other liabilities	26,675	361	4,010	31,046
Loan capital	–	–	638,665	638,665
Derivative financial liabilities	7,000	–	–	7,000
Capital provision asset subparticipations	3,244	–	–	3,244
Third-party interests in consolidated entities	136,959	–	–	136,959
Deferred tax liabilities	1,639	–	2,460	4,099
Total liabilities	301,005	361	654,462	955,828
Total net assets	1,645,061	2,741	(284,648)	1,363,154

6. Capital Provision Assets

Capital provision assets are financial assets held at fair value through profit and loss that relate to the provision of capital to the legal industry in connection with legal matters.

Capital provision-direct assets referenced later in this note are those in which Burford has provided financing directly to a client or to fund a principal position in a legal finance asset. Capital provision-indirect assets represent those through which the Company's capital is provided through a fund as a general partner contribution instead of directly. At 31 December 2019 and 2018, capital provision-indirect assets consisted entirely of assets held through the Burford Strategic Value Fund. Burford does not invest capital in the BOF-C fund and accordingly it is included in direct and not indirect capital provision assets. Refer to the statement of financial position section in note 2 for a detailed explanation of the presentational changes made this year.

	2019 $'000	2018 $'000
At 1 January	1,641,035	1,089,395
Additions	562,018	771,409
Realisations	(539,359)	(634,856)
Income for the year	370,898	411,612
Transfer to derivative financial liabilities	–	9,250
Transfer to investment subparticipation	10,700	–
Foreign exchange (losses)	37	(5,775)
As at 31 December	2,045,329	1,641,035

Capital provision assets are comprised of:	2019 $'000	2018 $'000
Capital provision-direct assets	1,787,193	1,321,985
Capital provision-indirect assets	258,136	319,050
Total capital provision assets	2,045,329	1,641,035

The capital provision income on the face of the consolidated statement of comprehensive income comprises:

	2019 $'000	2018 $'000
Realised gains/(losses) relative to cost	151,886	169,901
Previous unrealised (gains)/losses transferred to realised gains/(losses)	(85,789)	(79,694)
Fair value adjustment in the year	289,795	310,405
Interest income on certain indirect capital provision assets	15,006	11,000
Income on capital provision assets	370,898	411,612
Interest and other income	1,870	1,692
Impairment	(4,083)	–
Realised gain on derivative financial liabilities	7,000	2,250
Loss on derivative financial assets	(4,154)	(3,462)
Loss on financial liabilities at fair value through profit and loss	(20,872)	(3,010)
Gain/(loss) on equity securities (note 7)	1,169	(4,852)
Total capital provision income as reported on the consolidated statement of comprehensive income	351,828	404,230

All financial assets at fair value through profit and loss and all financial liabilities at fair value through profit and loss are mandatorily measured as such. Further detail and commentary on realised gains on capital provision assets and unrealised gains on capital provision assets is included in the report to shareholders on page 57.

Burford generally relies on legally protected information to arrive at its asset valuations and as a result is precluded from disclosing individual asset valuations publicly. However, Burford's 2019 sale of part of its entitlement to proceeds in the Petersen matter was uniquely of such a size and breadth (including third-party sales organized by Burford's financial adviser as part of the same transaction, resulting in the total sale of 15% of the entitlement to proceeds) that it was appropriate to use that sales price alone, without consideration of legally protected information, to set its 2019 valuation of its YPF-related assets. The carrying value of the Group's YPF-related assets included in capital provision assets (both Petersen and Eton Park combined) was $773 million at 31 December 2019 including $734 million of unrealised gain. During 2019, the capital provision income from the YPF-related assets was $188 million, consisting of realised gains relative to cost of $98 million, previous unrealised gains transferred to realised gains of $(78) million and fair value adjustment in the period of $168 million. It is unlikely that future Burford sales, if any, will approach that size and breadth.

Impairment of receivables includes a full write off of a $3,083,000 promissory note received in settlement of a capital provision asset in a prior period. A further $1,000,000 of impairment has been recognised on the $1,500,000 financial asset held at amortised cost that was included in Investments and is now included within Other assets as part of the presentational changes made this year as set out in note 2.

Loss on financial liabilities at fair value through profit and loss reflects losses on assets and liabilities used to hedge certain capital provision-indirect assets. Gains that would correspond to the hedge losses are included in income on capital provision assets. A further discussion on accounting for capital provision-indirect assets is included in the report to shareholders on page 47.

During the year, certain participating employees received payments of de minimis amounts with respect to profits interests sold to those employees by the Carry Pools. Please refer to carry pool plan in the compensation section of the report to shareholders on pages 81 to 82. The Group is deemed to control the Carry Pools and they are included in the consolidated financial statements. The non-controlling interests held by employees in the Carry Pools meet the definition of a financial liability and are included within 'Third party interests in consolidated entities' in the Group's consolidated statement of financial position.

6. Capital Provision Assets continued

The following table reflects the line-by-line impact of eliminating the interests of third-parties in the entities which Burford consolidates from the capital provision assets balance reported in the consolidated statement of financial position to arrive at Burford's capital provision assets at 31 December 2019.

	Consolidated total $'000	Elimination of third-party interests $'000	Burford-only total $'000	Burford-only: Capital provision –direct $'000	Burford-only: Capital provision –indirect $'000
At 1 January 2019	**1,641,035**	**(119,444)**	**1,521,591**	**1,289,548**	**232,043**
Additions	**562,018**	**(173,196)**	**388,822**	**272,016**	**116,806**
Realisations	**(539,359)**	**143,679**	**(395,680)**	**(218,807)**	**(176,873)**
Income for the year	**370,898**	**(56,198)**	**314,700**	**302,075**	**12,625**
Transfer to capital provision asset subparticipation	**10,700**	**(6,241)**	**4,459**	**4,459**	**–**
Foreign exchange losses	**37**	**61**	**98**	**98**	**–**
At 31 December 2019	**2,045,329**	**(211,339)**	**1,833,990**	**1,649,389**	**184,601**
Unrealised fair value at 31 December 2019	**808,320**	**(32,220)**	**776,100**	**772,083**	**4,017**

	Consolidated total $'000	Elimination of third-party interests $'000	Burford-only total $'000	Burford-only: Capital provision –direct $'000	Burford-only: Capital provision –indirect $'000
At 1 January 2018	1,089,395	(98,529)	990,866	834,993	155,873
Additions	771,409	(113,697)	657,712	387,171	270,541
Realisations	(634,856)	109,317	(525,539)	(320,733)	(204,806)
Income for the year	411,612	(16,535)	395,077	384,642	10,435
Transfer to derivative financial liabilities	9,250	–	9,250	9,250	–
Foreign exchange losses	(5,775)	–	(5,775)	(5,775)	–
At 31 December 2018	1,641,035	(119,444)	1,521,591	1,289,548	232,043
Unrealised fair value at 31 December 2018	598,712	(9,102)	589,610	590,317	(707)

On a consolidated basis the capital provision-indirect assets represent solely the equity securities and related claims in the Burford Strategic Value Fund. The fund's investment activity also includes entering into financial liabilities at fair value through profit and loss to offset the market based gains and losses in the equity securities (refer to note 7). On a consolidated basis that activity is presented within financial liabilities at fair value through profit and loss in the liabilities section of the consolidated statement of financial position. On a Burford-only basis as presented in the table above, the amount included as capital provision-indirect assets represents the fair value of Burford's entire interest held in the fund, including the respective share of any financial liabilities at fair value through profit and loss, and not just the Burford portion of the equity securities.

Included within the realisations amounts for Burford-only in 2019 and the additions amounts in 2018 is $20,735,000 relating to six assets that were warehoused by a subsidiary company under a forward purchase and sale agreement with BOF-C. Included within additions and realisation amounts for Burford-only during 2019 is $12,343,000 relating to an asset that was warehoused on behalf of and then transferred to a managed fund during the year.

The following table reflects the line-by-line impact of eliminating the income of third-parties in the entities which Burford consolidates from the capital provision income reported in the consolidated statement of comprehensive income to arrive at Burford's investments income at 31 December 2019.

				Burford-only	
31 December 2019	**Consolidated total $'000**	**Elimination of third-party interests $'000**	**Burford-only total $'000**	**Capital provision –direct $'000**	**Capital provision –indirect $'000**
Realised gains/(losses) relative to cost	**151,886**	**(23,462)**	**128,424**	**120,522**	**7,902**
Previous unrealised (gains)/losses transferred to realised gains/(losses)	**(85,789)**	**6,504**	**(79,285)**	**(79,424)**	**139**
Fair value adjustment in the year	**289,795**	**(24,234)**	**265,561**	**260,977**	**4,584**
Interest income on certain indirect capital provision assets	**15,006**	**(15,006)**	**–**	**–**	**–**
Income on capital provision assets	**370,898**	**(56,198)**	**314,700**	**302,075**	**12,625**
Interest and other income	**1,870**	**(1,742)**	**128**	**128**	**–**
Impairment	**(4,083)**	**–**	**(4,083)**	**(4,083)**	**–**
Realised gain on derivative financial liabilities	**7,000**	**–**	**7,000**	**7,000**	**–**
Loss on derivative financial assets	**(4,154)**	**4,154**	**–**	**–**	**–**
Loss on financial liabilities at fair value through profit and loss	**(20,872)**	**20,467**	**(405)**	**(405)**	**–**
Gain/(loss) on equity securities (note 7)	**1,169**	**(1,722)**	**(553)**	**(553)**	**–**
Loss on capital provision asset subparticipations	**–**	**(7)**	**(7)**	**(7)**	**–**
Total capital provision income	**351,828**	**(35,048)**	**316,780**	**304,155**	**12,625**

				Burford-only	
31 December 2018	Consolidated total $'000	Elimination of third-party interests $'000	Burford-only total $'000	Capital provision –direct $'000	Capital provision –indirect $'000
Realised gains/(losses) relative to cost	169,901	(13,146)	156,755	142,044	14,711
Previous unrealised (gains)/losses transferred to realised gains/(losses)	(79,694)	3,168	(76,526)	(70,523)	(6,003)
Fair value adjustment in the year	310,405	4,443	314,848	313,121	1,727
Interest income on certain indirect capital provision assets	11,000	(11,000)	–	–	–
Income on capital provision assets	411,612	(16,535)	395,077	384,642	10,435
Interest and other income	1,692	(1,642)	50	50	–
Realised gain on derivative financial liabilities	2,250	–	2,250	2,250	–
Loss on derivative financial assets	(3,462)	3,462	–	–	–
Loss on financial liabilities at fair value through profit and loss	(3,010)	3,010	–	–	–
Gain/(loss) on equity securities (note 7)	(4,852)	–	(4,852)	(4,852)	–
Total capital provision income	404,230	(11,705)	392,525	382,090	10,435

7. Equity securities

As at 31 December 2019, equity securities were held at fair value of $31,396,000 (2018: $582,000) and there is a gain on equity securities of $1,169,000 (2018: loss of $4,852,000) included in capital provision income on the face of the consolidated statement of comprehensive income (see note 6). At 31 December 2019, equity securities consisted of (a) $31,367,000 of equities received in settlement for an capital provision-indirect asset, which position was hedged and subsequently sold shortly after year end resulting in no material impact to profit and loss and (b) $29,000 of a security previously received as consideration in a settlement of a direct capital provision asset.

	2019 $'000	2018 $'000
As at 1 January	**582**	6,058
Asset received in kind	**29,645**	–
Realisations	**–**	(624)
Realised gains/(losses) relative to cost	**–**	(924)
Previous unrealised (gains)/losses transferred to realised gains/(losses)	**–**	1,258
Fair value movement	**1,169**	(5,186)
As at 31 December	**31,396**	582

The following table presents the line-by-line impact of eliminating the interests of third-parties in the entities which Burford consolidates from the equity securities balance reported in the consolidated statement of financial position to arrive at Burford's equity securities at 31 December 2019.

31 December 2019	**Consolidated Total $'000**	**Elimination of third-party interests $'000**	**Burford-only $'000**
As at 1 January	**582**	**–**	**582**
Asset received in kind	**29,645**	**(29,645)**	**–**
Fair value movement	**1,169**	**(1,722)**	**(553)**
As at 31 December	**31,396**	**(31,367)**	**29**

31 December 2018	Consolidated Total $'000	Elimination of third-party interests $'000	Burford-only $'000
As at 1 January	6,058	–	6,058
Realisations	(624)	–	(624)
Realised gains/(losses) relative to cost	(924)	–	(924)
Previous unrealised (gains)/losses transferred to realised gains/(losses)	1,258	–	1,258
Fair value movement	(5,186)	–	(5,186)
As at 31 December	582	–	582

8. Due from settlement of capital provision assets

Amounts due from settlement of assets relate to the recovery of capital provision assets that have successfully concluded and where there is no longer any litigation risk remaining. The settlement terms and duration vary by capital provision asset. The majority of settlement balances are received shortly after the period end and all are generally expected to be received within 12 months. The carrying value of these assets approximate the fair value of the assets at the balance sheet date.

Due from settlement of capital provision assets	**2019 $'000**	2018 $'000
At 1 January	**37,109**	3,248
Transfer of realisations from capital provision assets	**539,359**	634,856
Interest and other income	**1,870**	1,692
Impairment of receivable (see note 6)	**(3,083)**	–
Proceeds received	**(491,252)**	(602,678)
Asset received in kind (see note 7)	**(29,645)**	–
Foreign exchange gains	**–**	(9)
At 31 December	**54,358**	37,109
Split:		
Non-current assets	**3,750**	3,083
Current assets	**50,608**	34,026
Total due from settlement of capital provision assets	**54,358**	37,109

The following tables reflect the line-by-line impact of eliminating the interests of third-parties in the entities which Burford consolidates from the due from settlement of assets balance reported in the consolidated statement of financial position to arrive at Burford's capital provision asset receivables at 31 December 2019.

				Burford-only	
Due from settlement of capital provision assets	**Consolidated total $'000**	**Elimination of third-party interests $'000**	**Burford-only total $'000**	**Capital provision –direct $'000**	**Capital provision –indirect $'000**
At 1 January 2019	**37,109**	**–**	**37,109**	**37,109**	**–**
Transfer of realisations from capital provision assets	**539,359**	**(143,679)**	**395,680**	**218,807**	**176,873**
Interest and other income	**1,870**	**(1,742)**	**128**	**128**	**–**
Impairment of receivable	**(3,083)**	**–**	**(3,083)**	**(3,083)**	**–**
Proceeds received	**(491,252)**	**80,407**	**(410,845)**	**(233,972)**	**(176,873)**
Asset received in kind	**(29,645)**	**29,645**	**–**	**–**	**–**
At 31 December 2019	**54,358**	**(35,369)**	**18,989**	**18,989**	**–**

				Burford-only	
Due from settlement of capital provision assets	Consolidated Total $'000	Elimination of third-party interests $'000	Burford-only total $'000	Capital provision –direct $'000	Capital provision –indirect $'000
At 1 January 2018	3,248	1,517	4,765	3,248	1,517
Transfer of realisations from capital provision assets	634,856	(109,317)	525,539	320,733	204,806
Interest and other income	1,692	(1,642)	50	50	–
Proceeds received	(602,678)	109,442	(493,236)	(286,913)	(206,323)
Foreign exchange gains	(9)	–	(9)	(9)	–
At 31 December 2018	37,109	–	37,109	37,109	–

9. Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are sales of equity securities transacted to offset the market based gains and losses on equity positions held within capital provision assets as the underlying investment strategy is focused on earning an underlying litigation related return and not an outright position in a pure equity return. Proceeds from entering into sales of equity securities are held by brokers and are presented with due from brokers in the consolidated statement of financial position in addition to any margin held by the broker relating to the activity in buying and selling equities. While the positions are held to offset gains and losses on equity positions included within capital provision-indirect assets, the activity is required to be presented separately within liabilities in the consolidated statement of financial position. Gains and losses are included in the capital provision income in the consolidated statement of comprehensive income.

Amounts included in due to brokers relate to equity positions included in capital provision assets that have been purchased using available credit in the margin account with the respective broker.

10. Asset management income

Burford receives regular management fees on its managed funds, calculated as a percentage of capital committed by the fund investors or as a percentage of capital committed by the fund, depending upon the status of the fund. In addition, Burford receives performance fees from the funds. Burford's managed funds (other than the Strategic Value fund and the BOF-C fund) use a so-called "European" structure for the payment of performance fees, in that the manager is not paid any performance fees until fund investors have had their entire capital investment repaid, as opposed to performance fees being paid on profitable resolutions as they occur (referred to as an "American" structure). The impact of this European structure is to delay the receipt of performance fees, and thus while many fund assets have already successfully and profitably concluded, few of those performance fees have yet been paid. Performance fees are recognised when a reliable estimate of the fee can be made and it is highly unlikely that a significant reversal of the amount will occur.

The asset management income on the face of the consolidated statement of comprehensive income comprises:

	2019 $'000	2018 $'000
Management fee income	**15,160**	10,936
Performance fee income	**–**	755
Total asset management income	**15,160**	11,691

The following tables show the impact of consolidating the Strategic Value and BOF-C funds by adding back the elimination entries for consolidation purposes to arrive at Burford's asset management income at 31 December 2019 and 2018.

For the period ended 31 December 2019	**Consolidated total $'000**	**Elimination of third-party interests $'000**	**Burford-only $'000**
Management fee income	**15,160**	**3,239**	**18,399**
Performance fee income	**–**	**594**	**594**
Income from BOF-C	**–**	**7,137**	**7,137**
Total asset management income	**15,160**	**10,970**	**26,130**

For the year ended 31 December 2018	Consolidated total $'000	Elimination of third-party interests $'000	Burford-only $'000
Management fee income	10,936	3,060	13,996
Performance fee income	755	1,048	1,803
Total asset management income	11,691	4,108	15,799

Under the co-investing arrangement with the SWF, Burford receives reimbursement of expenses from BOF-C up to a certain level before either party receives a return of capital. After the repayment of capital, Burford then receives a portion of the return generated from the assets held by BOF-C. Amounts received and due from BOF-C from both of these sources is included in Income from BOF-C in the Burford-only figures in the table above. On a consolidated basis, the amounts are included within capital provision income.

11. Liabilities arising from insurance contracts

	2019		
	Gross $'000	Reinsurance $'000	Net $'000
Unearned premiums	4,445	(3,556)	889
Claims incurred but not reported reserve	82	–	82
Total	4,527	(3,556)	971

There were no claims reported during the year or outstanding loss reserve relating to reported claims as at 31 December 2019 (2018: $nil).

Income statement:	2019 $'000
Gross premiums written	4,707
Gross ceded reinsurance premiums	(3,766)
Movement in net unearned premium	(862)
Net premium earned	79
Change in insurance claims reserves	(79)
Net income on insurance contracts	–
Insurance underwriting commission	56
Insurance administrator commission	3,489
Total insurance income	3,545

12. Tangible fixed assets

	Fixtures, fittings and equipment $'000	Right-of-use assets – property leases $'000	Total $'000
Cost:			
At 31 December 2018	3,202	–	3,202
Adoption of IFRS 16 – Leases (note 2)	–	5,552	5,552
As at 1 January 2019	3,202	5,552	8,754
Additions	3,398	13,115	16,513
Disposals	(1,370)	(295)	(1,665)
Exchange differences	21	57	68
At 31 December 2019	5,251	18,419	23,670
Depreciation:			
At 1 January 2019	(1,336)	–	(1,336)
Charge in period	(912)	(1,862)	(2,774)
Disposals	533	111	644
Exchange differences	(10)	(10)	(20)
At 31 December 2019	(1,725)	(1,761)	(3,486)
Net book value:			
At 31 December 2018	1,866	–	1,866
At 31 December 2019	3,526	16,658	20,184

13. Cash management assets

As at 31 December 2019, cash management assets of $37,966,000 (2018: $41,449,000) were invested primarily in a listed investment fund and fixed income securities.

Reconciliation of movements	2019 $'000	2018 $'000
At 1 January	**41,449**	39,933
Purchases	**6,410**	17,376
Proceeds on disposal	**(9,756)**	(11,721)
Net realised gains on disposal	**65**	527
Fair value movement	**(211)**	(4,624)
Change in accrued interest	**9**	(42)
Balance at 31 December	**37,966**	41,449

The cash management income and bank interest on the face of the consolidated statement of comprehensive income comprise:

	2019 $'000	2018 $'000
Realised gains (see above)	**65**	527
Fair value movement (see above)	**(211)**	(4,624)
Interest and dividend income	**1,987**	1,990
Bank interest income	**4,862**	3,908
Total cash management income and bank interest	**6,703**	1,801

14. Operating expenses

	2019 $'000	2018 $'000
Staff costs	**49,191**	48,198
Share-based payments	**4,519**	1,686
Pension costs	**1,285**	736
Non-executive directors' remuneration	**484**	415
Non-staff operating expenses	**15,724**	11,478
Capital provision asset related costs	**6,209**	2,981
Case-related legal fees not included in asset cost	**2,903**	1,734
One-time expenses related to equity and listing matters	**1,754**	–
Expenses incurred by consolidated entities*		
Capital provision asset related costs	**8,343**	3,977
Non-staff operating expenses	**990**	626
Total operating expenses	**91,402**	71,831

* Expenses incurred by consolidated entities are shown net of adjustments and eliminations as shown in note 23

Operating expenses for 2018 now include $900,000 of banking and brokerage fees that were previously reported separately and have now been included for consistency in comparative prior periods.

Directors' remuneration* comprise:	2019 $'000	2018 $'000
Sir Peter Middleton	**189**	171
Hugh Steven Wilson	**125**	112
David Charles Lowe	**85**	66
Charles Nigel Kennedy Parkinson	**85**	66
	484	415

* Directors' remuneration is Sterling denominated

Fees paid and payable to Ernst & Young LLP comprise:	2019 $'000	2018 $'000
Audit fees	**1,386**	961
Interim review fees	**55**	38
Tax compliance fees	**348**	287
Tax advisory fees	**124**	133
Other advisory fees	**14**	166
	1,927	1,585

15. Other assets

	2019 $'000	2018 $'000
Trade receivable – insurance	**658**	7,438
Trade receivable – services	**1,547**	735
Asset management receivables	**825**	2,118
Reinsurance assets (note 11)	**3,556**	–
Prepayments	**1,375**	352
Financial asset held at amortised cost	**500**	1,500
Tax receivable	**–**	1,823
Other receivables	**4,802**	2,347
Total other assets	**13,263**	16,313

16. Other liabilities

	2019 $'000	2018 $'000
Audit fee payable	**1,385**	381
General expenses payable	**24,782**	30,657
Payable for capital provision assets	**36**	–
Lease liabilities	**19,389**	–
Insurance liabilities (note 11)	**4,527**	–
Tax payable	**1,311**	–
Due to limited partners	**–**	8
Total other liabilities	**51,430**	31,046

The following table sets out the movement in lease liabilities during the year.

	2019 $'000	2018 $'000
At 1 January	**–**	–
Change in accounting policy – note 2	**6,785**	–
Restated at 1 January 2019	**6,785**	–
Additions	**13,115**	–
Lease liabilities interest expense	**869**	–
Payments of lease liabilities during year	**(1,433)**	–
Exchange differences	**53**	–
At 31 December	**19,389**	–

17. Loan capital

The Group has issued the following retail bonds listed on the London Stock Exchange's Order Book for Retail Bonds.

Issuance date	19 –Aug –2014	19 –Apr –2016	1 –Jun –2017	12 –Feb –2018
Issuing entity (100% owned subsidiary)	Burford Capital PLC	Burford Capital PLC	Burford Capital PLC	Burford Capital Finance LLC

Currency	GBP	GBP	GBP	USD
Face amount (in currency)	£90,000,000	£100,000,000	£175,000,000	$180,000,000
Maturity date	19 –Aug –2022	26 –Oct –2024	1 –Dec –2026	12 –Aug –2025
Interest rate per annum	6.50%	6.125%	5.00%	6.125%
USD equivalent face value at exchange rate at issuance	$149,562,000	$144,020,000	$225,803,000	$180,000,000
USD equivalent face value at 31 December 2019 exchange rate of $1.321 per £1.00	$118,890,000	$132,100,000	$231,175,000	$180,000,000
Fair value equivalent:				
At 31 December 2019	**$119,871,000**	**$128,302,000**	**$208,924,000**	**$172,350,000**
At 31 December 2018	$121,098,000	$134,872,000	$224,240,000	$177,075,000

The fair value equivalents for the Group's retail bonds are based on the last traded price for each bond observed on the London Stock Exchange's Order Book for Retail Bonds.

Retail bonds	**2019 $'000**	2018 $'000
At 1 January	**647,992**	492,328
Retail bonds issued	**–**	180,000
Bond issue costs	**–**	(2,637)
Loan capital finance costs	**38,753**	38,538
Interest paid	**(37,568)**	(33,108)
Foreign exchange (gains)/losses	**16,165**	(27,129)
As at 31 December	**665,342**	647,992
Split:		
Loan capital	**655,880**	638,665
Loan interest payable	**9,462**	9,327
Total loan capital	**665,342**	647,992

	2019 $'000	2018 $'000
Loan capital interest expense	**37,528**	37,334
Bond issue costs incurred as finance costs	**1,225**	1,204
Loan capital finance costs (above)	**38,753**	38,538
Lease liabilities interest expense (see note 16)	**869**	–
Total finance costs	**39,622**	38,538

18. Changes in liabilities arising from financing activities

A summary of the changes arising from cash flows and non-cash changes of loan capital is shown below.

	2019 $'000	2018 $'000
At 1 January	**647,992**	492,328
Cash flows:		
Issuance/(repayments) net of issue costs	**–**	177,363
Interest paid	**(37,568)**	(33,108)
Non-cash charges:		
Interest expense	**37,528**	37,334
Amortisation of bond issue costs	**1,225**	1,204
Foreign exchange (gains)/losses	**16,165**	(27,129)
As at 31 December	**665,342**	647,992

19. Intangible asset

	2019 $'000	2018 $'000
At 1 January	**18,198**	27,692
Amortisation	**(9,495)**	(9,494)
At 31 December	**8,703**	18,198

	2019 $'000	2018 $'000
Acquisition of subsidiary	**39,666**	39,666
Accumulated amortisation	**(30,963)**	(21,468)
Net book value at 31 December	**8,703**	18,198

Burford acquired Gerchen Keller Capital (GKC) on 14 December 2016. The intangible asset represents an assessment, for accounting purposes, of the value of GKC's future asset management income at the date of acquisition. The intangible asset has an estimated useful life extending to 2020 and is being amortised over this period, in accordance with revenue generated from asset management income.

20. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities assumed on the date of the acquisition. The goodwill allocated to each of the Group's operating business segments is set out in the table below.

Carrying Value of Goodwill

	Capital provision $'000	Asset management $'000	Services and other corporate $'000	Total $'000
At 1 January 2019	**107,991**	**25,020**	**955**	**133,966**
Foreign exchange gains	**–**	**–**	**33**	**33**
At 31 December 2019	**107,991**	**25,020**	**988**	**133,999**

	Capital provision $'000	Asset management $'000	Services and other corporate $'000	Total $'000
At 1 January 2018	107,991	25,020	1,011	134,022
Foreign exchange losses	–	–	(56)	(56)
At 31 December 2018	107,991	25,020	955	133,966

As goodwill does not generate cash flows independently of other assets or groups of assets the recoverable amount, being the value in use, is determined at a cash generating unit (CGU) level. The Group's CGU's are consistent with the operating business segments above.

The Group's value in use calculations require estimates in relation to uncertain items, including management's expectations of future revenue growth, operating costs, profit margins, operating cash flows, and the discount rate for each CGU.

The future cash flows are discounted using a discount rate that reflects the time value of money. The discount rate used in each CGU is adjusted for the risk specific to the asset.

The Group is required to test goodwill acquired in a business combination annually for impairment. This was carried out for the period ended 31 December 2019.

Key Assumptions and Sensitivities

The value in use of each CGU is determined using cash flow projections over a five-year period, based on past experience of business performance.

Discount rate

The discount rates used in performing the value in use calculation in 2019 were 9.0% (2018: 9.9%) except for Asset Management where we have used 8.3% (2018: 8.5%) reflecting the lower risk and volatility of income in this CGU. The discount rates estimated on a pre-tax equivalent basis were 10.0% (2018: 11.0%) and 10.4% (2018: 10.7%) for Asset Management.

Growth in commitments

The annual growth rate assumption for the five-year projection period is 5% (2018: 5%). The perpetuity growth rates are determined based on the forecast market growth rates of the economies in which the CGU operates, and they reflect an assessment of the long-term growth prospects of that market. For all CGUs this rate is 2% (2018: 2%).

Return on capital provision assets

The rates of return are determined based on historical experience. The rates used in performing the value in use calculation in 2019 were 22.5% for existing and new capital provision assets (2018: 22.5% and 20% respectively) per annum except for Asset Management where we have used rates of between 6.5% (2018: 6.5%) and 22.5% (2018: 22.5%) reflecting the differing rates of return expected on the different funds.

Sensitivities

Based on the methodology and assumptions set out above, the recoverable amounts estimated using the value in use calculation exceed the carrying amounts including goodwill of the CGU's by $341,574,000 and $72,429,000 for the capital provision and asset management CGU's respectively (2018: $464,073,000 and $205,222,000). The sensitivity to the key assumptions are set out in the table below.

20. Goodwill continued

		31 December 2019		31 December 2018	
		Capital provision $'000	Asset management $'000	Capital provision $'000	Asset management $'000
Assumption	**Sensitivity**				
Discount rate	+1%	**(259,781)**	**(17,829)**	(168,924)	(32,603)
Terminal growth rate	−1%	**(200,020)**	**(14,374)**	(119,958)	(25,205)
Return on capital provision assets	−1%	**(198,301)**	**(9,611)**	(224,828)	(34,993)

21. Fair value of assets and liabilities

Valuation methodology

The fair value of financial assets and liabilities continue to be valued using the techniques set out in the accounting policies in note 2.

Fair value hierarchy

31 December 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Capital provision assets				
Single case	–	–	458,340	458,340
Portfolio	–	–	1,241,106	1,241,106
Legal risk management	–	–	1,619	1,619
Asset recovery	–	–	86,128	86,128
Indirect – equity securities	65,780	–	192,356	258,136
Equity securities	31,396	–	–	31,396
Cash management investments	37,966	–	–	37,966
Total assets	135,142	–	1,979,549	2,114,691
Liabilities				
Financial liabilities at fair value through profit and loss	91,493	–	–	91,493
Capital provision asset subparticipations	–	–	13,944	13,944
Loan capital, at fair value*	629,447	–	–	629,447
Third-party interests in consolidated entities	–	–	235,720	235,720
Total liabilities	720,940	–	249,664	970,604
Net total	(585,798)	–	1,729,885	1,144,087

* Loan capital is held at amortised cost in the consolidated financial statements and the figures disclosed in the above tables represent the fair value equivalent amounts.

The principal types of capital provision assets transacted by the Group are as follows:

Single case:

Capital provision assets funded by Burford that are subject to binary legal risk, such as financing the costs of a single litigation claim.

Portfolio:

Capital provision assets with multiple paths to recovery, such as financing a pool of litigation claims.

Asset recovery:

Capital provision assets where Burford finances the cost of the pursuit of enforcement of an unpaid legal judgment.

Legal risk management:

Capital provision assets where all or a portion of the financing provided by Burford is providing some form of legal risk arrangement, such as to cover an indemnity or insurance for adverse costs.

Where capital is provided on a portfolio basis, Burford provides financing for a group of cases with the same counterparty on terms that tend to recognise the lower risk of loss generally associated with multi-case portfolios. Typically, the cases in the portfolio are cross collateralised, such that losses in one case can be recovered from successes in another. Cases in portfolios are underwritten and priced in a similar manner to single case capital provision assets and are anticipated to achieve a similar risk-adjusted return. Portfolios then allow us to originate larger volumes of assets with greater efficiency.

Asset recovery capital provision assets are underwritten, structured and priced in a similar manner to our single case and portfolio capital provision assets and, as a consequence, are anticipated to have similar risk-adjusted returns.

The key risk and sensitivity across all capital provision assets relates to the underlying litigation associated with each case that is underwritten and financed. The sensitivity to this level 3 input is therefore considered to be similar across the different types of capital provision assets and is expressed as a portfolio-wide stress.

31 December 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Capital provision assets				
Single case	–	–	217,703	217,703
Portfolio	–	–	1,058,979	1,058,979
Legal risk management	–	–	3,086	3,086
Asset recovery	–	–	42,217	42,217
Indirect – equity securities	137,809	72,692	108,549	319,050
Equity securities	582	–	–	582
Derivative financial asset	–	–	4,154	4,154
Cash management investments	41,449	–	–	41,449
Total assets	179,840	72,692	1,434,688	1,687,220
Liabilities				
Financial liabilities at fair value through profit and loss	112,821	–	–	112,821
Derivative financial liabilities	–	–	7,000	7,000
Capital provision asset subparticipations	–	–	3,244	3,244
Loan capital, at fair value*	657,285	–	–	657,285
Third-party interests in consolidated entities	–	–	136,959	136,959
Total liabilities	770,106	–	147,203	917,309
Net total	(590,266)	72,692	1,287,485	769,911

* Loan capital is held at amortised cost in the consolidated financial statements and the figures disclosed in the above tables represent the fair value equivalent amounts.

21. Fair value of assets and liabilities continued

Movements in Level 3 fair value assets and liabilities

The table below provides analysis of the movements in the level 3 financial assets and liabilities.

	At 1 January 2019 $'000	Transfers into level 3 $'000	Additions $'000	Realisations $'000	Income for the year $'000	Foreign exchange losses $'000	Transfer to capital provision asset sub-participation $'000	At 31 December 2019 $'000
Single case	**217,703**	**–**	**179,727**	**(37,078)**	**97,787**	**201**	**–**	**458,340**
Portfolio	**1,058,979**	**–**	**116,232**	**(152,377)**	**209,265**	**(1,693)**	**10,700**	**1,241,106**
Legal risk management	**3,086**	**–**	**–**	**(1,762)**	**190**	**105**	**–**	**1,619**
Asset recovery	**42,217**	**–**	**30,439**	**(1,438)**	**13,485**	**1,425**	**–**	**86,128**
Indirect – equity securities	**108,549**	**210,501**	**149,152**	**(327,274)**	**51,428**	**–**	**–**	**192,356**
Derivative financial assets	**4,154**	**–**	**–**	**–**	**(4,154)**	**–**	**–**	**–**
Total level 3 assets	**1,434,688**	**210,501**	**475,550**	**(519,929)**	**368,001**	**38**	**10,700**	**1,979,549**
Capital provision asset subparticipations	**(3,244)**	**–**	**–**	**–**	**–**	**–**	**(10,700)**	**(13,944)**
Derivative financial liabilities	**(7,000)**	**–**	**–**	**–**	**7,000**	**–**	**–**	**–**
Third-party interests in consolidated entities	**(136,959)**	**–**	**(167,685)**	**84,242**	**(15,318)**	**–**	**–**	**(235,720)**
Total level 3 liabilities	**(147,203)**	**–**	**(167,685)**	**84,242**	**(8,318)**	**–**	**(10,700)**	**(249,664)**

	At 1 January 2018 $'000	Transfers into level 3 $'000	Additions $'000	Realisations $'000	Income for the year $'000	Foreign exchange losses $'000	Transfer to capital provision asset sub-participation $'000	At 31 December 2018 $'000
Single case	159,054	–	73,103	(134,455)	113,408	(407)	7,000	217,703
Portfolio	651,013	–	292,425	(143,699)	261,110	(4,120)	2,250	1,058,979
Legal risk management	–	–	1,863	–	1,360	(137)	–	3,086
Asset recovery	9,514	–	33,074	(7,138)	7,879	(1,112)	–	42,217
Indirect – equity securities	205,361	49,050	90,175	(259,484)	23,447	–	–	108,549
Derivative financial assets	–	–	7,616	–	(3,462)	–	–	4,154
Total level 3 assets	1,024,942	49,050	498,256	(544,776)	403,742	(5,776)	9,250	1,434,688
Capital provision asset subparticipations	(3,152)	–	(274)	182	–	–	–	(3,244)
Derivative financial liabilities	–	–	–	–	2,250	–	(9,250)	(7,000)
Third-party interests in consolidated entities	(143,639)	–	(113,690)	123,718	(3,348)	–	–	(136,959)
Total level 3 liabilities	(146,791)	–	(113,964)	123,900	(1,098)	–	(9,250)	(147,203)

There were no gains or losses recognised in other comprehensive income with respect to these assets and liabilities.

All transfers into and out of level 3 are recognised as if they have taken place at the beginning of each reporting period. Transfers into level 3 during the year of $210,501,000 (2018: $49,050,000) relate to assets where the underlying asset no longer has a quoted price and becomes subject to the Group's valuation methodology for level 3 financial instruments as set out in the accounting policies in note 2.

Sensitivity of level 3 valuations

Following origination, the Group engages in a semi-annual review of each capital provision asset's fair value. At 31 December 2019, should the value of those instruments have been 10% higher or lower than provided for in the Group's fair value estimation, while all other variables remained constant, the Group's income and net assets would have increased and decreased respectively by $172,989,000 (2018: $128,749,000).

Reasonably possible alternative assumptions

The determination of fair value for capital provision assets, derivative financial liabilities and asset subparticipations involve significant judgements and estimates. Whilst the potential range of outcomes for the assets is wide, the Group's fair value estimation is its best assessment of the current fair value of each asset. That estimate is inherently subjective, being based largely on an assessment of how individual events have changed the possible outcomes of the asset and their relative probabilities and hence the extent to which the fair value has altered. The aggregate of the fair values selected falls within a wide range of reasonably possible estimates. In the Group's opinion there is no useful alternative valuation that would better quantify the market risk inherent in the portfolio and there are no inputs or variables to which the values of the assets are correlated.

22. Risk management

Market and asset risk

The Group is exposed to market and asset risk with respect to its cash management assets, capital provision assets, financial liabilities at fair value through profit and loss and derivative financial assets and liabilities. The maximum risk equals the fair value of all such financial instruments.

With respect to the Group's cash management assets, consisting of corporate bonds and investment funds, market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as interest rates, credit risk, security and bond prices and foreign exchange rates. At 31 December 2019, should the prices of the investments in corporate bonds and investment funds have been 10% higher or lower while all other variables remained constant, the Group's income and net assets would have increased and decreased respectively by $3,797,000 (2018: $4,145,000).

With respect to the Group's financial liabilities at fair value through profit and loss and derivative financial assets the market risk is negligible as the positions are held exclusively as economic hedges against gains and losses arising on offsetting long positions included in the Group's capital provision assets. The fair value of the Group's offsetting long positions is approximately $91,493,000 at 31 December 2019 (2018: $112,821,000).

The Group only funds capital provision assets following a due diligence process. However, such assets involve high risk and there can be no assurance of any particular recovery in any individual asset. Certain of the Group's capital provision assets are comprised of a portfolio of assets thereby mitigating the impact of the outcome of any single asset. While the claims underlying the Group's capital provision assets are generally diverse, the Group monitors and manages the portfolio for related exposures that finance different clients relative to the same or very similar claims, such that the outcomes on those related exposures are likely to be correlated.

Liquidity risk

The Group is exposed to liquidity risk. The Group's financing of capital provision assets require funds to meet commitments (see note 30) and for settlement of operating liabilities. The Group's capital provision assets (as described in note 2) 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 Group finances assets with a range of anticipated lives and holds cash management assets which can be readily realised to meet those liabilities and commitments.

Cash management assets include listed fixed income instruments and investment funds that can be redeemed on short notice or can be sold on an active trading market.

In 2014, 2016, 2017 and 2018, the total issues of $699 million in retail bonds raised sufficient extra capital to help mitigate liquidity risk. Interest payments on the bonds will total approximately $211 million over the remaining three-year, five-year, six-year and seven-year periods until maturity in August 2022, October 2024, August 2025 and December 2026, respectively, at which point the principal amounts shall be repaid.

22. Risk management continued

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Liabilities

31 December 2019	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Greater than 5 years**	**No contractual maturity date**	**Total undiscounted cash outflows**
Financial liabilities at fair value through profit and loss	**91,493**	**–**	**–**	**–**	**–**	**–**	**91,493**
Due to brokers	**51,401**	**–**	**–**	**–**	**–**	**–**	**51,401**
Loan interest payable	**9,376**	**9,825**	**19,201**	**138,155**	**34,143**	**–**	**210,700**
Other liabilities	**28,072**	**791**	**1,587**	**12,455**	**10,029**	**–**	**52,934**
Loan capital	**–**	**–**	**–**	**250,990**	**411,175**	**–**	**662,165**
Capital provision asset subparticipations	**–**	**–**	**–**	**–**	**–**	**13,944**	**13,944**
Third-party interests in consolidated entities	**–**	**–**	**–**	**–**	**–**	**235,720**	**235,720**
Deferred tax liabilities	**–**	**–**	**–**	**–**	**–**	**9,662**	**9,662**
	180,342	**10,616**	**20,788**	**401,600**	**455,347**	**259,326**	**1,328,019**

31 December 2018	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Greater than 5 years	No contractual maturity date	Total undiscounted cash outflows
Financial liabilities at fair value through profit and loss	112,821	–	–	–	–	–	112,821
Due to brokers	12,667	–	–	–	–	–	12,667
Loan interest payable	9,247	9,497	18,744	142,485	63,390	–	243,363
Other liabilities	31,046	–	–	–	–	–	31,046
Loan capital	–	–	–	114,921	531,148	–	646,069
Derivative financial liabilities	–	–	–	–	–	7,000	7,000
Capital provision asset subparticipations	–	–	–	–	–	3,244	3,244
Third-party interests in consolidated entities	–	–	–	–	–	136,959	136,959
Deferred tax liabilities	–	–	–	–	–	4,099	4,099
	165,781	9,497	18,744	257,406	594,538	151,302	1,197,268

The tables below present an analysis of the Group's assets and liabilities split between a current and non-current classification.

	31 December 2019			31 December 2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Assets:						
Cash and cash equivalents	186,621	–	186,621	265,551	–	265,551
Cash management assets	37,966	–	37,966	41,449	–	41,449
Due from brokers	95,226	–	95,226	129,911	–	129,911
Other assets	9,207	4,056	13,263	14,813	1,500	16,313
Due from settlement of capital provision assets	50,608	3,750	54,358	34,026	3,083	37,109
Capital provision assets	–	2,045,329	2,045,329	–	1,641,035	1,641,035
Derivative financial asset	–	–	–	4,154	–	4,154
Equity securities	31,367	29	31,396	–	582	582
Tangible fixed assets	–	20,184	20,184	–	1,866	1,866
Intangible asset	–	8,703	8,703	–	18,198	18,198
Goodwill	–	133,999	133,999	–	133,966	133,966
Deferred tax asset	–	24,939	24,939	–	28,848	28,848
	410,995	2,240,989	2,651,984	489,904	1,829,078	2,318,982

	31 December 2019			31 December 2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Liabilities:						
Financial liabilities at fair value through profit and loss	91,493	–	91,493	112,821	–	112,821
Due to brokers	51,401	–	51,401	12,667	–	12,667
Loan interest payable	9,462	–	9,462	9,327	–	9,327
Other liabilities	29,324	22,106	51,430	31,046	–	31,046
Loan capital	–	655,880	655,880	–	638,665	638,665
Derivative financial liabilities	–	–	–	7,000	–	7,000
Capital provision asset subparticipations	–	13,944	13,944	–	3,244	3,244
Third-party interests in consolidated entities	–	235,720	235,720	–	136,959	136,959
Deferred tax liabilities	–	9,662	9,662	–	4,099	4,099
	181,680	937,312	1,118,992	172,861	782,967	955,828

22. Risk management continued

Credit risk

The Group is exposed to credit risk in various asset structures (see note 2), most of which involve financing sums recoverable only out of successful capital provision assets with a concomitant risk of loss of invested cost. On becoming contractually entitled to proceeds, depending on the structure of the particular asset, the Group could be a creditor of, and subject to direct or indirect credit risk from, a claimant, a defendant, both or other parties. Moreover, the Group 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 Group's credit risk is uncertain given that its entitlement pursuant to its assets is generally not established until a successful resolution of claims and the Group's potential credit risk is mitigated by the diversity of its counterparties and indirect creditors.

The Group is also exposed to credit risk in respect of the cash management assets, due from broker and cash and cash equivalents. The credit risk of the due from broker and cash and cash equivalents is mitigated as all cash is placed with reputable banks with a sound credit rating (A-2 or higher by S&P; P-2 or higher by Moody's). Cash management assets are held in a listed fund investing in senior short duration floating rate corporate debt and investment grade corporate bonds.

The Group is also exposed to credit risk from opponents in litigation insurance. The underwriting process includes an assessment of counterparty credit risk and there is a large diversification of counterparties and therefore no concentration of risk.

The maximum credit risk exposure represented by cash, cash equivalents, due from broker and capital provision assets is as stated on the consolidated statement of financial position.

The Group is exposed to credit risk on financial assets held at amortised cost including amounts due from settlement of capital provision assets and receivables. The maximum credit exposure for amounts due from settlement of capital provision assets and receivables is the carrying value at 31 December 2019 of $62,690,000 (2018: $51,247,000). The Group applies the simplified approach to recognise impairment on settlement and receivable balances based on the lifetime expected credit loss. The Group reviews the lifetime expected credit loss based on historical collection performance, the specific provisions of any settlement agreement and a forward-looking assessment of macro-economic factors. Based on this review, the Group has not identified any material expected credit loss relating to the financial assets held at amortised cost except for as set out in note 6, the Group recognised $4,083,000 of impairment against two specific financial assets during the year ended 31 December 2019 (2018: nil).

Financial assets are generally considered to be in default when amounts are more than 90 days past due or if sufficient indicators exist that the debtor is unlikely to pay. Amounts are written off as uncollectable when all reasonably collectable amounts have been recovered and following the completion or cessation of enforcement activity.

Currency risk

The Group holds assets denominated in currencies other than US dollars, the functional currency of the Company, including Sterling, the functional currency of Burford UK. Further, the Group issued Sterling loan capital during 2014, 2016, and 2017. It is therefore exposed to currency risk, as values of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Group may use forward exchange contracts from time to time to mitigate currency risk.

At 31 December 2019, the Group's net exposure to currency risk could be analysed as follows:

	Capital provision assets $ '000	Other Net Assets/ (Liabilities) $ '000
US dollar	1,837,750	(31,425)
Sterling	65,290	(480,912)
Euro	139,418	–
Australian dollar	2,689	–
Swiss Franc	182	–
	2,045,329	(512,337)

At 31 December 2018, the Group's net exposure to currency risk could be analysed as follows:

	Capital provision assets $ '000	Other Net Assets/ (Liabilities) $ '000
US dollar	1,488,582	160,848
Sterling	41,895	(438,693)
Euro	107,888	(36)
Australian dollar	2,670	–
	1,641,035	(277,881)

At 31 December 2019, should the Sterling, Euro, Australian dollar and Swiss Franc have strengthened or weakened by 10% against the US dollar and all other variables held constant, the Group's net profit and net assets would have (decreased)/increased and increased/(decreased) respectively as noted in the table below:

Increase or (decrease) in net profit and net assets	**2019 $'000**	2018 $'000
Sterling	**(41,562)**	(39,680)
Euro	**13,942**	10,785
Australian dollar	**269**	267
Swiss Franc	**18**	–

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 Group's exposure to market risk for changes in floating interest rates relates primarily to the Group's cash, certain cash management assets and capital provision assets. All cash bears interest at floating rates. There are certain capital provision assets, due from settlement of assets and cash management assets that earn interest based on fixed rates; however, those assets do not have interest rate risk as they are not exposed to changes in market interest rates. The Group's loan capital incurs interest at a fixed rate and so is not exposed to changes in market interest rates. The following table sets out the Group's exposure to interest rate risk.

	2019 $'000	2018 $'000
Non interest-bearing	**1,666,761**	1,430,085
Interest-bearing – floating rate	**374,904**	509,661
Interest-bearing – fixed rate	**(508,673)**	(576,592)
Total net assets	**1,532,992**	1,363,154

The interest-bearing floating rate assets and liabilities are denominated in both US Dollars and Sterling. If interest rates increased/decreased by 25 basis points while all other variables remained constant, the profit for the year and net assets would increase/decrease by $937,000 (2018: $1,274,000). For fixed rate assets and liabilities, it is estimated that there would be no material profit or net assets impact. Fixed rate liabilities include the loan capital as disclosed in note 17.

22. Risk management continued

The maturity profile of interest-bearing assets and liabilities is:

Maturity period at 31 December 2019	Floating $'000	Fixed $'000	Total $'000
Assets			
Less than 3 months	**310,646**	**955**	**311,601**
3 to 6 months	**–**	**802**	**802**
6 to 12 months	**–**	**654**	**654**
1 to 2 years	**–**	**2,140**	**2,140**
Greater than 2 years	**64,258**	**148,941**	**213,199**
Liabilities			
Greater than 2 years	**–**	**(662,165)**	**(662,165)**
Net assets/(liabilities)	**374,904**	**(508,673)**	**(133,769)**

Maturity period at 31 December 2018	Floating $'000	Fixed $'000	Total $'000
Assets			
Less than 3 months	415,026	762	415,788
3 to 6 months	–	1,453	1,453
6 to 12 months	–	2,522	2,522
1 to 2 years	–	2,193	2,193
Greater than 2 years	94,635	62,547	157,182
Liabilities			
Greater than 2 years	–	(646,069)	(646,069)
Net assets/(liabilities)	509,661	(576,592)	(66,931)

Management of capital

The Group's approach to capital management is intended to ensure adequate liquidity to meet its funding commitments and ongoing expenses while also ensuring that adequate resources are available to finance new assets as opportunities arise.

The Group's assets generate a significant amount of cash proceeds in a typical period as assets are realised into due from settlement receivables, which are in turn, resolved into cash. The Group uses the cash from these realisations as well as fee income as its primary sources of liquidity for funding assets and expenses. Because the timing of cash realisations from its capital provision assets is uncertain, the Group normally maintains a substantial balance of cash and cash management assets to provide liquidity during periods when cash realisations are less than funding and expense needs.

To the degree that the Group intends to grow its capital provision assets portfolio, it requires external financing beyond its cash realisations from assets. Over the past several years, the Group has grown its portfolio beyond its cash realisations. The Group has financed that growth through:

- Third party fund vehicles, which the Group manages, including the Burford Opportunity Fund and BOF-C raised in 2018 and Burford Alternative Investment Fund raised in 2019.
- Loan capital in the form of bond issuances totally approximately $699 million issued in 2014, 2016, 2017 and 2018.
- Share issuance of approximately $245 million in 2018.

The Group manages its balance sheet with relatively low levels of leverage. Its debt issues contain one significant financial covenant, which is a leverage ratio requirement that the Group maintain a consolidated level of net debt (debt less cash) less than 0.5 times the level of tangible assets (total assets less intangibles). At December 31, 2019, the leverage ratio on this basis was 17% (2018: 15%), significantly lower than required.

In planning its bond issuances, the Group has purposely constructed a set of laddered maturities with an overall weighted average maturity well in excess of the expected weighted average life of its legal finance assets. It has also sized these issues so that any single year's maturity amount is significantly less than the historical annual rate of legal finance asset realisations, such that the Group is expected to have more than sufficient liquidity to redeem these bonds should it choose not to refinance them.

The Group expects from time to time to issue additional debt, depending on its liquidity needs, capital deployment prospects and market conditions.

23. Investment in consolidated entities

Burford may invest in entities that it manages and may be deemed to control such entities, which results in their consolidation on a line-by-line basis as detailed below.

Line-by-line consolidation

The following tables reflect the line-by-line impact of consolidating the results of the entities with the stand alone results for Burford (i.e., if Burford-only accounted for its investment in the entities) to arrive at the totals reported in the consolidated statement of comprehensive income and consolidated statement of financial position.

Consolidated Statement of Comprehensive Income

31 December 2019	Burford-only $'000	Entities $'000	Adjustments and eliminations* $'000	Consolidated total $'000
Capital provision income	316,780	60,183	(25,135)	351,828
Asset management income	26,130	–	(10,970)	15,160
Insurance income	3,545	–	–	3,545
Services income	2,133	–	–	2,133
Cash management income and bank interest	6,070	633	–	6,703
Foreign exchange gains/(losses)	2,052	(228)	168	1,992
Third-party share of gains relating to interests in consolidated entities	–	–	(15,318)	(15,318)
Total income	356,710	60,588	(51,255)	366,043
Operating expenses	(82,069)	(19,708)	10,375	(91,402)
Amortisation of intangible asset	(9,495)	–	–	(9,495)
Operating profit	265,146	40,880	(40,880)	265,146
Finance costs	(39,622)	–	–	(39,622)
Profit before tax	225,524	40,880	(40,880)	225,524
Taxation	(13,417)	–	–	(13,417)
Profit after tax	212,107	40,880	(40,880)	212,107
Other comprehensive income	(17,525)	–	–	(17,525)
Total comprehensive income	194,582	40,880	(40,880)	194,582

* The adjustments and eliminations are required due to the services provided by the Group to the consolidated entities as investment manager and the Group's investment as a limited partner in consolidated entities. Accordingly, these adjustments and eliminations do not have an effect on the net income or total net assets of Burford.

23. Investment in consolidated entities continued

31 December 2018	Burford-only $'000	Entities $'000	Adjustments and eliminations* $'000	Consolidated total $'000
Capital provision income	392,525	22,203	(10,498)	404,230
Asset management income	15,799	–	(4,108)	11,691
Insurance income	10,406	–	–	10,406
Services income	1,650	–	–	1,650
Cash management income and bank interest	1,467	954	(620)	1,801
Foreign exchange gains/(losses)	(1,473)	20	–	(1,453)
Third-party share of gains relating to interests in consolidated entities	–	–	(3,348)	(3,348)
Total income	420,374	23,177	(18,574)	424,977
Operating expenses	(67,228)	(8,494)	3,891	(71,831)
Amortisation of intangible asset	(9,494)	–	–	(9,494)
Operating profit	343,652	14,683	(14,683)	343,652
Finance costs	(38,538)	–	–	(38,538)
Profit before tax	305,114	14,683	(14,683)	305,114
Taxation credit	12,463	–	–	12,463
Profit after tax	317,577	14,683	(14,683)	317,577
Other comprehensive income	24,701	–	–	24,701
Total comprehensive income	342,278	14,683	(14,683)	342,278

* The adjustments and eliminations are required due to the services provided by the Group to the consolidated entities as investment manager and the Group's investment as a limited partner in consolidated entities. Accordingly, these adjustments and eliminations do not have an effect on the net income or total net assets of Burford.

Consolidated Statement of Financial Position

31 December 2019	Burford-only $'000	Entities $'000	Adjustments and eliminations* $'000	Consolidated total $'000
Assets				
Cash and cash equivalents	168,463	18,158	–	186,621
Cash management assets	37,966	–	–	37,966
Due from brokers	–	95,226	–	95,226
Other assets	19,765	6,615	(13,117)	13,263
Due from settlement of capital provision assets	18,989	43,395	(8,026)	54,358
Capital provision assets	1,833,990	496,463	(285,124)	2,045,329
Equity securities	29	31,367	–	31,396
Tangible fixed assets	20,184	–	–	20,184
Intangible asset	8,703	–	–	8,703
Goodwill	133,999	–	–	133,999
Deferred tax asset	24,939	–	–	24,939
Total assets	**2,267,027**	**691,224**	**(306,267)**	**2,651,984**
Liabilities				
Financial liabilities at fair value through profit and loss	–	91,493	–	91,493
Due to brokers	–	51,401	–	51,401
Loan interest payable	9,462	–	–	9,462
Other liabilities	50,995	16,421	(15,986)	51,430
Loan capital	655,880	–	–	655,880
Capital provision asset subparticipations	8,036	14,266	(8,358)	13,944
Third-party interests in consolidated entities	–	–	235,720	235,720
Deferred tax liabilities	9,662	–	–	9,662
Total liabilities	**734,035**	**173,581**	**211,376**	**1,118,992**
Total net assets	**1,532,992**	**517,643**	**(517,643)**	**1,532,992**

* The adjustments and eliminations are required due to the services provided by the Group to the consolidated entities as investment manager and the Group's investment as a limited partner in consolidated entities. Accordingly, these adjustments and eliminations do not have an effect on the net income or total net assets of Burford.

23. Investment in consolidated entities continued

31 December 2018	Burford-only $'000	Entities $'000	Adjustments and eliminations* $'000	Consolidated total $'000
Assets				
Cash and cash equivalents	235,977	29,574	–	265,551
Cash management assets	41,449	–	–	41,449
Due from brokers	–	129,911	–	129,911
Other assets	36,706	273	(20,666)	16,313
Due from settlement of capital provision assets	37,109	35	(35)	37,109
Capital provision assets	1,521,591	416,380	(296,936)	1,641,035
Derivative financial asset	–	4,154	–	4,154
Equity securities	582	–	–	582
Tangible fixed assets	1,866	–	–	1,866
Intangible asset	18,198	–	–	18,198
Goodwill	133,966	–	–	133,966
Deferred tax asset	28,848	–	–	28,848
Total assets	2,056,292	580,327	(317,637)	2,318,982
Liabilities				
Financial liabilities at fair value through profit and loss	–	112,821	–	112,821
Due to brokers	–	12,667	–	12,667
Loan interest payable	9,327	–	–	9,327
Other liabilities	30,632	9,957	(9,543)	31,046
Loan capital	638,665	–	–	638,665
Derivative financial liabilities	7,000	–	–	7,000
Capital provision asset subparticipations	3,415	6,948	(7,119)	3,244
Third-party interests in consolidated entities	–	–	136,959	136,959
Deferred tax liabilities	4,099	–	–	4,099
Total liabilities	693,138	142,393	120,297	955,828
Total net assets	1,363,154	437,934	(437,934)	1,363,154

* The adjustments and eliminations are required due to the services provided by the Group to the consolidated entities as investment manager and the Group's investment as a limited partner in consolidated entities. Accordingly, these adjustments and eliminations do not have an effect on the net income or total net assets of Burford.

24. Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in establishing control, for example where contractual arrangements are the dominant factor in affecting an investor's returns. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions on their permitted activities.

The key considerations in assessing whether the Group controls a structured entity are set out in the Group's principal accounting policies in note 2.

Consolidated structured entities

The Group holds investments in certain funds where it also acts as investment adviser. The total investment in these funds was $201,795,000 as at 31 December 2019 (2018: $242,874,000). The Group provides revolving credit facilities to certain investment funds to bridge capital calls when needed. These facilities are entirely discretionary in that the Group is not obligated to provide funding under them. The balance outstanding on the revolving credit facilities as at 31 December 2019 was $nil (2018: $4,744,000).

As at 31 December 2019 $544,909,000 (2018: $478,827,000) of the total assets included in the Group's balance sheet relates to the consolidated investment funds, held to pay principal and return to the holders of interests in those funds. The Group cannot access the assets except for the investment made by the Group in these funds.

Unconsolidated structured entities

The Group's maximum exposure to loss from unconsolidated structured entities is the sum total of any capital provision asset held, fee receivables, accrued income and loans to those entities, and is $23,834,000 as at 31 December 2019 (2018: $26,808,000). The Group's interests in, and exposure to, unconsolidated structured entities are set out below.

As at 31 December 2019	**Investment funds $'000**	**Other $'000**	**Total $'000**
Capital provision assets	**–**	**11,075**	**11,075**
Other assets	**2,012**	**–**	**2,012**
Total on balance sheet exposures	**2,012**	**11,075**	**13,087**
Off balance sheet – undrawn commitments	**–**	**10,747**	**10,747**
Maximum exposure to loss	**2,012**	**21,822**	**23,834**
Total assets of the entity	**923,346**	**11,075**	**934,421**

As at 31 December 2018	Investment funds $'000	Other $'000	Total $'000
Capital provision assets	–	9,109	9,109
Other assets	2,118	–	2,118
Total on balance sheet maximum exposure	2,118	9,109	11,227
Off balance sheet – undrawn commitments	–	15,581	15,581
Maximum exposure to loss	2,118	24,690	26,808
Total assets of the entity	693,271	9,109	702,380

Investment funds
The Group acts as investment adviser to a number of unconsolidated funds and sidecar vehicles where the Group's interest in the funds is generally restricted to management and incentive fees. The value of the fees are typically based on investor commitments, capital deployed or committed to investments and the performance of the fund. The Group provides revolving credit facilities to certain investment funds to bridge capital calls when needed. These facilities are entirely discretionary in that the Group is not obligated to provide funding under them. The figures included in the table above for the comparative 2018 year have been corrected to reflect the discretionary nature of the facilities.

Other
This includes legal finance assets with structured entities that aggregate claims from multiple parties. The nature and recourse of the Group's investment in these matters is consistent with the rest of the litigation investments portfolio and the use of the structured entity to aggregate the claims does not introduce incremental risk. The off balance sheet exposure represents the maximum extent of the undrawn committed amounts relating to these litigation commitments.

25. Investments in joint ventures and associates

The Group holds certain of its capital provision assets or in associate companies under joint arrangements that are classified as joint ventures in accordance with IAS 28 Investments in Associates and Joint Ventures and accounted for at fair value through profit and loss in accordance with IFRS 9. The total fair value of the Group's interest in associate companies as at 31 December 2019 is $4,673,000 (2018:$638,000) and is included in capital provision assets in the consolidated statement of financial position. The total fair value of the Group's interest in joint ventures as at 31 December 2019 is $106,924,000 (2018: $95,494,000) and is included within capital provision assets in the consolidated statement of financial position. None of the associate companies or joint venture arrangements are individually material to the Group and there are no significant restrictions on the ability of the joint ventures to make cash distributions or repayment of advances to the Group.

The Group's share of commitments and contingencies for its associates and joint ventures at 31 December 2019 is $1,500,000 and $122,628,000, respectively (2018: $nil and $87,076,000) and are included in the commitment amounts relating to funding obligations on asset agreements disclosed in note 30.

26. Share capital

Authorised share capital	2019 $'000	2018 $'000
Unlimited ordinary shares of no par value	–	–

Issued share capital	Number	Number
Ordinary shares of no par value	218,649,877	218,649,877

80,000,001 ordinary shares were issued at 100p each on 21 October 2009. A further 100,000,000 ordinary shares were issued at 110p each on 9 December 2010. A further 24,545,454 shares were issued on 12 December 2012 in connection with the restructuring of the Group. A further 3,692,524 shares were issued on 14 December 2016 as part of the GKC acquisition as noted in the 2016 Annual Report. A further 10,411,898 shares were issued at 1850p each on 4 October 2018.

31 December 2019	Share Capital $'000	Contingent Share Capital $'000	Total $'000
At 1 January and 31 December	**596,454**	**13,500**	**609,954**

31 December 2018	Share Capital $'000	Contingent Share Capital $'000	Total $'000
At 1 January 2018	351,249	13,500	364,749
Share capital issued	249,983	–	249,983
Share capital issue costs	(4,778)	–	(4,778)
At 31 December 2018	596,454	13,500	609,954

Also, the GKC acquisition in 2016 included $15,000,000 of contingent equity consideration. In calculating the fair value of the contingent consideration a discount of 10% was applied for non-performance risk, hence the contingent equity consideration is valued at $13,500,000 at acquisition. Shares of 2,461,682 will be issued only after GKC's investment funds contribute more than $100 million in performance fee income (and, in certain instances, fee income from new funds or other capital provision income) to Burford. If the $100 million income target is not achieved, no contingent consideration is payable.

27. Long term incentive plan

In 2017 the Group introduced a long-term incentive plan ("LTIP"). Participants will only be entitled to these shares at end of a three-year period if the Group has met the relevant pre-determined corporate performance measures over the three-year performance period and they are still employed by the Group. The performance measures for the 2017 and 2018 awards are equally weighted between the Group's total shareholder return as compared to a group of comparable public companies; earnings per share growth adjusted to remove amortisation and other non-cash items; and growth in aggregate asset value defined as gross investment assets plus gross cash receipts from investments. The performance measures for the 2019 awards are weighted 2/3 on the Group's total shareholder return as compared to a group of comparable public companies; and 1/3 earnings per share growth adjusted to remove amortisation and certain other items.

The expense included within these financial statements arising from equity-settled share-based payment transactions amounted to $4,519,000 (2018: $1,686,000).

The following table summarises the fair values and key assumptions used for valuing grants made under the LTIP in each of the years awards were granted:

	2019	2018	2017
Awards granted (number of shares)	**695,330**	288,752	506,637
Dividend yield (%)	**1.00%**	1.90%	2.80%
Expected volatility (%)	**40.80%**	35.60%	25.80%
Risk–free interest rate (%)	**0.63%**	0.93%	0.15%
Expected life of share awards (years)	**3**	3	3
Weighted average fair value ($)	**15.85**	16.72	9.1
Weighted average share price ($)	**16.78**	19.46	10.27
Model used	**Monte Carlo**	Monte Carlo	Monte Carlo

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the awards is indicative of future trends, which may not necessarily be the actual outcome.

28. Profit per ordinary share and comprehensive income per ordinary share

Profit per ordinary share is calculated based on profit attributable to ordinary shareholders for the year of $212,107,000 (2018: $317,577,000) and the weighted average number of ordinary shares in issue for the year of 218,649,877 (2018: 210,776,771). Comprehensive income per ordinary share is calculated based on total comprehensive income attributable to ordinary shareholders for the year of $194,582,000 (2018: $342,278,000), and the same weighted average number of ordinary shares in issue as above. The effect of dilution is attributable to the addition of 973,268 shares related to the LTIP (2018: 554,680).

29. Dividends

The Directors paid an interim dividend for 2019 of 4.17¢ in December 2019.

30. Financial commitments and contingent liabilities

As a normal part of its business, the Group routinely enters into some financing agreements that oblige the Group to provide continuing funding over time, whereas other agreements provide for the immediate funding of the total commitment. The terms of the former type of agreements vary widely; in some cases (discretionary commitments), the Group has broad discretion as to each incremental funding of a continuing investment, and in others (definitive commitments), the Group has little discretion and would suffer adverse consequences were it to fail to provide incremental funding.

The Group's funding obligations are capped at a fixed amount in its agreements. At 31 December 2019, the Group had outstanding commitments for $981,554,000 (2018: $646,631,000).

In addition, at 31 December 2019 at current exchange rates, the Group had $89,294,000 of exposure to assets where the Group is providing some form of legal risk arrangement pursuant to which the Group does not generally expect to deploy the full committed capital unless there is a failure of the claim, such as providing an indemnity for adverse costs (2018: $72,523,000).

The following table reflects the line-by-line impact of eliminating the interests of third-parties in the entities which Burford consolidates from the commitment balances reported above to arrive at Burford's commitments at 31 December 2019.

31 December 2019	**Consolidated total $'000**	**Elimination of third-party interests $'000**	**Burford-only $'000**
Unfunded commitments – capital provision			
Definitive	**342,452**	**(53,939)**	**288,513**
Discretionary	**639,102**	**(99,007)**	**540,095**
Total	**981,554**	**(152,946)**	**828,608**
Legal risk (Definitive)	**89,294**	**(6,233)**	**83,061**

31 December 2018	Consolidated total $'000	Elimination of third-party interests $'000	Burford-only $'000
Unfunded commitments – capital provision			
Definitive	261,578	(6,415)	255,163
Discretionary	385,053	(25,376)	359,677
Total	646,631	(31,791)	614,840
Legal risk (Definitive)	72,523	–	72,523

Of the $981,554,000 in commitments, based on recent experience, the Group expects approximately 15 to 20% (median experience=16%) to be sought from it during the next 12 months. The following tables show the experience over the past three years of deployments during the year on commitments outstanding at the end of the prior year.

Deployments on commitments in 2019	**Consolidated total $'000**	**Elimination of third-party interests $'000**	**Burford-only $'000**
Outstanding commitments at 31 December 2018	**646,631**	**(31,791)**	**614,840**
Deployed in 2019	**99,145**	**(5,123)**	**94,022**
Deployed in 2019 (%)	**15.3%**	**–**	**15.3%**

Deployments on commitments in 2018	Consolidated total $'000	Elimination of third-party interests $'000	Burford-only $'000
Outstanding commitments at 31 December 2017	503,435	–	503,435
Deployed in 2018	152,498	–	152,498
Deployed in 2018 (%)	30.3%	–	30.3%

Deployments on commitments in 2017	Consolidated total $'000	Elimination of third-party interests $'000	Burford-only $'000
Outstanding commitments at 31 December 2016	296,448	–	296,448
Deployed in 2017	47,000	–	47,000
Deployed in 2017 (%)	15.9%	–	15.9%

Given the nature of the Company's business the Company may from time to time receive claims against it or be subject to inbound litigation. Having considered the legal merits of any relevant claims or progressed litigation, and having received relevant legal advice including from external advisers, the Company considers there to be no material contingent liability in respect of any such situations requiring disclosure in the financial statements.

31. Related party transactions

Directors' fees paid in the year amounted to $484,000 (2018: $415,000). There were no directors' fees outstanding at 31 December 2019 or 31 December 2018. Directors' interests are disclosed in the Shareholdings on page 82 of the Annual Report.

The Group holds investments on associates and joint ventures conducted on the same terms as third party transactions. Details of the balances held with associates and joint ventures are set out in note 25. Funding during the year on the investments in associates and joint ventures was $15,914,000 (2018: $80,858,000).

There is no controlling party.

32. Subsequent events

On January 30, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus pandemic has severely restricted the level of economic activity around the world. In response to this coronavirus pandemic, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. In response to this the Group has closed its offices and implemented business continuity plans for staff to work from home without noticeable impact on service delivery and operations.

The Group has assessed the coronavirus pandemic as a non-adjusting post balance sheet event.

The Group has undertaken a detailed review of the potential impacts of COVID-19 and continues to monitor developments closely. As at the date of this report the most likely impact for the Group is expected to be some potential delays in the realisation of cash flows from the capital provision asset portfolio. While litigation matters that do not require in-person attendance are continuing, courts and arbitration tribunals are postponing some trials and hearings as they adapt to the new environment. In addition, some liquidity constrained corporate defendants may defer settling cases.

The impact of COVID-19 has also been assessed with respect to the Group's deferred tax asset and goodwill. While some deterioration of headroom is expected in the short-term due to potential delays in the realisation of capital provision income this is currently not expected to be material enough to impact the recoverability of the deferred tax asset or to trigger an impairment of goodwill. Disruptive events and economic downturns tend to be positive in generating litigation activity and increases the demand for external capital.

Further consideration in respect of the assessment of COVID-19 impact and how this has been considered in respect of forming a conclusion in respect of the going concern assumption for the Group is set out in note 2 on page 109.

Subsequent to 31 December 2019 various court outcomes or arbitral awards have been obtained relating to certain capital provision assets that, if paid in full, are expected to generate approximately $300 million in capital provision income across the Group. Risk remains in litigation until matters actually pay cash, and it is always possible that the anticipated income described above will be reduced by further court action or by agreement between the parties. The Group has assessed these developments as a non-adjusting post balance sheet event.

Glossary of terms

Addition

Funding provided for an asset, which adds to Burford's invested cost in that asset. We use the term interchangeably with deployment.

Adjusted income, operating profit, profit before tax and profit after tax

Income, operating profit, profit before tax and profit after tax excluding the impact of amortisation of the intangible asset and third-party interests in consolidated entities as presented on pages 90 to 93.

ALF

The Association of Litigation Funders of England and Wales.

Asset management

Asset management includes our activities administering the private funds we manage for third party investors.

Asset management income

Income from fees earned managing our private funds.

Asset recovery

Pursuit of enforcement of an unpaid legal judgment, which can include Burford's financing of the cost of that pursuit.

Assets under management ("AUM")

Consistent with its status as a registered investment adviser with the US SEC, Burford reports publicly on its asset management business on the basis of regulatory assets under management. For the benefit of non-US investors, the SEC's definition of AUM may well differ from that used by European investment managers. AUM as we report it means the fair value of the capital invested in funds and individual capital vehicles plus the capital that we are entitled to call from investors in those funds and vehicles pursuant to the terms of their capital commitments to those funds and vehicles.

BAIF

Burford Alternative Income Fund, a private fund focused on post-settlement legal finance matters.

Board

The Board of Directors of Burford Capital Limited.

BCIM

Burford Capital Investment Management LLC, an indirect wholly owned subsidiary of Burford Capital Limited, serves as the investment advisor of all of our managed funds and is registered under the Investment Advisers Act of 1940, as amended.

BOF

Burford Opportunity Fund, a private fund focused on pre-settlement litigation finance matters.

BOF-C

The Burford private fund through which the sovereign wealth fund invests in pre-settlement litigation finance matters under our SWF arrangement.

Burford Capital Limited

Burford's holding company which is publicly traded on the London Stock Exchange, and provides legal finance to law firms and corporate clients around the world from its principal offices in New York, London, Chicago, Washington, Singapore and Sydney.

Burford Capital LLC

A wholly-owned indirect subsidiary of Burford Capital Limited and our primary operating company in the US.

Burford Capital Finance LLC

A wholly-owned indirect subsidiary of Burford Capital Limited and the issuer of Burford's US dollar bonds, which are guaranteed by Burford Capital Limited as well as a number of its subsidiaries.

Burford Capital PLC

A wholly-owned indirect subsidiary of Burford Capital Limited and the issuer of Burford's sterling bonds, which are guaranteed by Burford Capital Limited as well as a number of its subsidiaries

Burford Capital (UK) Limited

A wholly-owned indirect subsidiary of Burford Capital Limited and our primary operating company in the UK.

Burford-only

Burford-only, Burford standalone, Burford balance sheet only, or "balance sheet" refers to assets, liabilities and activities that only pertain to Burford itself, excluding any third-party funds and the portions of jointly-owned entities owned by others. Burford-only largely corresponds to the view of our business presented in the "de-consolidating" footnote in our financials.

Capital provision assets

Our capital provision segment (previously our Investments segment) includes all of our legal finance assets. We have now, however, eliminated the "new initiatives" segment, which previously included only our asset recovery activities. We have combined the financing assets generated from asset recovery into our capital provision segment since the risk/return profile is very similar. We sub-divide capital provisions assets for purposes of reporting a number of financial metrics into:

- *Direct* includes all our legal finance assets (including those generated by asset recovery and legal risk management activities) that we have made directly (i.e., not through participation in a fund). We also include direct (not through a fund) complex strategies assets in this category.
- *Indirect* includes participations in one of our funds. Currently, this category is comprised entirely of our position in Burford Strategic Value Fund, through which we fund most of our complex strategies assets.

Capital provision income

Income from our portfolio of capital provision assets and related positions, as detailed in note 6 of the financial statements.

Carrying value of an asset

This is the amount at which an asset is carried on the balance sheet, reflecting both cost and any fair value adjustment.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on 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 management assets

Assets held for the purpose of cash management, acquired to generate returns on cash balances awaiting subsequent deployment.

Cash receipts

Cash received principally from asset realisations due from settlement receivables, services and insurance cash income, cash interest and cash management income.

Claimant

The party who asserts a right or title in a legal proceeding.

COLP

The Burford Credit Opportunity LP private fund, which focused on post-settlement legal finance matters and was the predecessor to BAIF.

Commitment

Burford enters into a commitment when it agrees to provide financing for a legal finance asset. Commitments can be definitive (requiring us to provide funding on a schedule or, more often, when certain expenses are incurred) or discretionary (only requiring us to provide funding after reviewing and approving a future matter).

Company

Burford Capital Limited.

Complex Strategies

Burford's activities providing funding as a principal in legal-related assets, often securities, loans and other financial assets where a significant portion of the expected return arises from the outcome of legal or regulatory activity.

Compound annual growth rate (CAGR)

The annual rate of return that would be required for a sum to grow from its beginning balance to its end balance, assuming reinvestment at the end of each year.

Concluded asset

A legal finance asset is "concluded" for Burford's purposes when there is no longer any litigation risk remaining. We use the term to encompass: (i) entirely concluded legal finance assets where Burford has received all proceeds to which it is entitled (net of any entirely concluded losses); (ii) the portion of legal finance assets where Burford has received some proceeds (for example, from a settlement with one party in a multi-party case) but where the case is continuing with the possibility of receiving additional proceeds; and (iii) legal finance assets where the underlying litigation has been resolved and there is a promise to pay proceeds in the future (for example, in a settlement that is to be paid over time) and there is no longer any litigation risk involved in the asset.

Consolidated funds

These are certain of Burford's private funds in which, because of its investment in and/or control of the fund, Burford is required under IFRS to consolidate the minority LP's interests in the funds and include the full financials of the funds within the Company's consolidated financial statements. Presently, BOF-C and Strategic Value are consolidated funds.

Consolidated

Consolidated refers to assets, liabilities and activities that includes those third-party funds, partially-owned subsidiaries and special purpose vehicles that we are required to consolidate under IFRS accounting. This presentation conforms to the presentation of Burford on a consolidated basis in our financials. The major entities consolidated into Burford include the Strategic Value Fund, BOF-C and several entities in which Burford holds investments where there is also a third-party partner in or owner of those entities.

Core litigation finance

Burford's traditional pre-settlement financing of both single cases and portfolio matters in which we are providing clients with financing against the future value of legal claims.

Corporate monetisations

Burford's pre-settlement financing of legal claims by corporate clients in which we provide funding to those clients in excess of the amounts required for ongoing legal expenses.

Defendant

The party against whom a civil action is brought, used interchangeably with respondent.

Deployment

Funding provided for an asset, which adds to Burford's invested cost in that asset. We use the term interchangeably with addition.

Definitive commitments

Commitments where Burford is contractually obliged to fund incremental capital and failure to do so without good reason (such as a negative change in a case's prospects) would typically come with adverse consequences such as loss of our funded capital in a case.

Discretionary commitments

Commitments where Burford retains a considerable degree of discretion over whether to advance capital and generally would not suffer adverse financial consequences from failing to do so.

Glossary of terms
continued

Due from settlement receivable

In most instances, concluded investments both conclude and receive all cash proceeds associated with the investment in the same period. Sometimes, cash will be paid over time. In those instances, a balance sheet due from settlement receivable is created.

Fair value adjustment

This is the amount of unrealised gain or loss recognised in Burford's profit and loss account in the relevant period and added to or subtracted from its balance sheet asset value.

FCA

The UK Financial Conduct Authority.

Fiscal year

Burford's fiscal year is the 12 month period ended 31 December.

General partner ("GP")

Burford invests in its limited partnership funds as the general partner for those funds.

Group

In the context of our financial statements, Group refers to Burford Capital Limited and its consolidated subsidiaries. Our presentation of Consolidated financials presents the financials of Group.

Group-wide

Group-wide refers to Burford and its managed funds take together, including those portions of the funds owned by third parties and including funds that are not consolidated into Burford's consolidated financials. In addition to the funds consolidated into its financials, Group-wide would include the Partners funds, Burford Opportunity Fund and Burford Alternative Investment Fund and its predecessor.

Internal rate of return ("IRR")

IRR is a discount rate that makes the net present value of a series of cash flows equal to zero and is expressed as a percentage figure. Burford computes IRR on concluded (including partially concluded) legal finance assets by treating that entire portfolio (or, when noted, a subset thereof) as one undifferentiated pool of capital and measuring inflows and outflows from that pool, allocating investment cost appropriately. Burford's IRRs do not include unrealised gains.

International Financial Reporting Standards ("IFRS")

These are the accounting standards issued by the International Accounting Standards Board ("IASB"). Burford is required to prepare consolidated financial statements in accordance with IFRS.

Judgment debtor

The defendant evading payment of an adverse court award.

Judgment enforcement

The activity of using legal and financial strategies to force a judgment debtor to pay an adverse award made by a court. We also refer to this as asset recovery.

Legal finance

Legal finance includes our traditional "core" litigation finance activities in which we are providing clients with financing against the future value of legal claims. It also encompasses our asset recovery and legal risk management activities, which often are provided to the same clients and generate investment assets with broadly similar risk/return profiles.

Legal risk management

Matters where Burford is providing some form of legal risk arrangement, such as providing an indemnity or insurance for adverse costs.

Leverage ratio

Burford calculates its leverage ratio as net debt as a percentage of tangible assets (total assets less goodwill and intangible assets).

Limited partner ("LP")

An institutional investor in one of Burford's private funds.

Limited Partner Advisory Committee ("LPAC")

The Burford private fund committee whose membership comprises third-party Limited Partners.

Management Committee ("MC")

The Management Committee is responsible for the executive management of the Group. Its members are the Chief Executive Officer, the Chief Investment Officer, the Chief Financial Officer, the Chief Strategy Officer, the Deputy Chief Investment Officer, the Co-Chief Operating Officers, and the General Counsel/Chief Administrative Officer.

Management fee

The fee earned by the Company from a Burford private fund for managing its fund assets.

Multiple on invested capital ("MOIC")

MOIC is calculated the same way as ROIC except that the return is instead expressed as a multiple of the amount of funding provided for the asset.

Net asset value ("NAV")

The value of our balance sheet or of the assets in a fund, where assets are valued at fair value, net of any liabilities.

Net debt

Burford calculates its net debt as loan capital and notes less cash and cash equivalents and cash management investments.

Net realised gain/loss

The sum of the realised gains and realised losses in the period.

Nonconsolidated funds

These are certain of Burford's private funds which the Company is not required to include within the Company's consolidated financial statements but are included within Group-wide data. Presently, Partners I, Partners II, Partners III, COLP, BOF and BAIF are nonconsolidated funds.

Partners funds

BCIM Partners I, II and III LP are three limited partnerships for which BCIM serves as the investment advisor and which invest in litigation finance assets. All three funds are no longer making new investments. BOF is the successor fund in this strategy to the Partners Funds.

Performance fee

The Company earns a share of profits generated from funds which it manages on behalf of third party LPs. The profits are paid as a performance fee when the funds meet certain performance conditions.

Plaintiff

The party who institutes a legal action or claim, used interchangeably with claimant.

Portfolio finance

Legal finance assets with multiple paths to recovery, such as financing a pool of litigation claims.

Post-settlement finance

Post-settlement finance includes our financing of legal-related assets in situations where litigation has been resolved, such as financing of settlements and law firm receivables. Burford's post-settlement financing activity occurs only in BAIF, not on Burford's balance sheet.

Realisation

A legal finance asset is realised when the asset is concluded (when litigation risk has been resolved). A realisation will result in Burford receiving cash or other asset or recognising a due from settlement receivable, reflecting what Burford is owed on the asset. We use the term interchangeably with recovery.

Realised gain/loss

This reflects the total amount of gain or loss generated by a legal finance asset when it is realised, calculated simply as realised proceeds less deployed funds, without regard for any previously recognised fair value adjustment.

Recovery

A legal finance asset is recovered when the asset is concluded (when litigation risk has been resolved). A recovery will result in Burford receiving cash or a due from settlement receivable, reflecting what Burford is owed on the asset. We use the term interchangeably with realisation.

Return on invested capital ("ROIC")

ROIC is a measure of financial performance calculated by comparing the absolute amount of realisations from a concluded asset relative to the amount of expenditure incurred in funding that asset, expressed as a percentage figure. ROIC is a measure of our ability to generate absolute returns on our assets. Similar to our IRR calculations, when we compute ROICs on the entire portfolio (or a subset of it), we do so by taking the aggregate realisations relative to the aggregate costs incurred, rather than a weighted average of the individual asset ROICs.

SEC

The United States Securities and Exchange Commission.

Services & Other Corporate

The Burford business segment comprising our services to the legal industry, including litigation insurance and asset recovery, or judgment enforcement, and other corporate activities.

Single-case finance

Legal finance assets funded by Burford that are subject to binary legal risk, such as financing the costs of a single litigation claim.

SRA

The Solicitors Regulation Authority of England and Wales.

Strategic Value fund

BCIM Strategic Value Master Fund LP is a limited partnership for which BCIM serves as the investment advisor and which invests in certain complex strategies assets. Investors in the Strategic Value fund include third party LPs as well as Burford's balance sheet. Burford's investment in the Strategic Value fund currently comprises its capital provision-indirect assets.

SWF arrangement

The agreement we have entered into with a sovereign wealth fund in which it provides funding for a portion of our legal finance assets through the BOF-C fund.

Tangible assets

For the purposes of the debt covenant leverage ratio, tangible assets is the total assets as presented in the consolidated statement of financial position less any goodwill and intangible assets which are included in the total assets.

Total shareholder return

This is the measure of the total return to shareholders and includes the movement in the share price and any dividends paid, assuming that all dividends are reinvested on their ex-dividend date.

Transfers to realisations

This is the amount of fair value adjustment previously recognised on an asset, which is then reversed in the period in when a realised gain is recognised to avoid double counting.

Unrealised gain

This represents the fair value of Burford's assets over their funded cost, as determined in accordance with the requirements of the relevant IFRS standards, as at the end of the relevant financial reporting period. Burford is required to account for its investments pursuant to IFRS 9 Financial Instruments and has done so since 2012.

Valuation Committee

The Valuation Committee is responsible for applying Burford's valuation methodology to fair value litigation investments based on observable and objective developments in the case or the investment. For 2019, the members of the Valuation Committee were the Chief Executive Officer, the Chief Investment Officer, the Chief Financial Officer and the two senior executives who oversaw the legal finance teams in the US and the UK.

Weighted average life ("WAL")

The WAL of one of our legal finance assets represents the average length of time until we receive a cash realisation from that asset weighted by the amount of that realisation. WAL is, simply, how long our asset will be outstanding on average.

Unlike with our IRR and ROIC calculations, where we use the aggregate cash flows from the portfolio in making our portfolio level computations, that method will not readily work with WAL computations because our assets originate in different timeframes. Instead, in calculating a portfolio WAL, we compute a weighted average of the individual asset WALs. Historically, in doing this we weighted the individual WALs (durations) by the costs funded on the case. We are also now providing portfolio WAL data weighted by the recoveries on the individual assets.

Vintage

This refers to the calendar year in which a legal finance commitment is made.

Further information

Directors

Sir Peter Middleton (Chairman)
Hugh Steven Wilson (Vice Chairman)
David Charles Lowe
Charles Nigel Kennedy Parkinson

Registered office

Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 1WW

Advisors to the company on US and English law

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

Nominated adviser and joint broker

Macquarie Capital (Europe) Limited
Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD

Joint brokers

Jefferies International Limited
100 Bishopsgate
London EC2N 4JL

Numis Securities Ltd
The London Stock Exchange Building
E10 Paternoster Square
London EC4M 7LT

Administrator and company secretary

Oak Fund Services (Guernsey) Limited
PO Box 282
Glategny Esplanade
St Peter Port
Guernsey GY1 3RH

Registrar

Computershare Investor Services (Guernsey) Limited
3rd Floor, Natwest House
Le Truchot
St Peter Port
Guernsey GY1 1WD

Advisors to the company on Guernsey law

Ogier
Ogier House
St Julian's Avenue St Peter Port
Guernsey GY1 1WA

Independent auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Further information
continued

Equity and debt securities

Issuer	Security	Exchange	Ticker	ISIN	FIGI	SEDOL/ID
Burford Capital Limited	Share	London Stock Exchange AIM	BUR	GG00B4L84979	BBG000PN88Q7	B4L8497 GB
Burford Capital PLC	Bond	London Stock Exchange Main Market	BUR1	XS1088905093	BBG006VZCHM9	EK3990638
	Bond		BUR2	XS1391063424	BBG00CMS9C56	JK7086578
	Bond		BUR3	XS1614096425	BBG00GPZLYD7	AN5937551
Burford Capital Finance LLC	Bond	London Stock Exchange Main Market	BUR4	XS1756325228	BBG00JWN4HQ2	AQ9291818

Company website

www.burfordcapital.com

Investor relations enquiries

For all investor relations about Burford Capital Limited, please contact:

Investor Relations
Burford Capital
Brettenham House
2-19 Lancaster Place
London WC2E 7EN

Telephone: +44 (0)20 3530 2023

Email: IR@burfordcapital.com

Visit the investor relations section of Burford's website at www.burfordcapital.com/shareholders for current investor relations information, including the latest share price, results presentations and regulatory news.

burfordcapital.com