

Company Registration No. 09077893

# **Burford Capital PLC**

**Unaudited Report and Financial Statements for  
the period - 30 June 2020**

**Burford Capital PLC**  
for the period ended 30 June 2020

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**Burford Capital PLC**  
for the period ended 30 June 2020

**Corporate information**

<b>Directors</b>	C Arnott L Paster P Braverman
<b>Secretary</b>	P Leibfried
<b>Company registration no.</b>	09077893
<b>Registered office</b>	8 <sup>th</sup> Floor, Brettenham House 2-19 Lancaster Place London WC2E 7EN
<b>Auditors</b>	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY
<b>Solicitors</b>	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS

## **Strategic report**

The Directors present their strategic report for the period ended 30 June 2020. The Company was incorporated in the United Kingdom under Companies Act 2006 and registered in England and Wales. The address of the Company's registered office is provided in page 1.

### **Principal activities**

The Company's principal activity is to act as a bond issuing vehicle for Burford Capital Limited and its subsidiary companies (the "Group"). The Directors do not propose introducing further business activities or changes to its principal activity.

Details of the Group business model and that of the subsidiaries are explained in more detail in the Report of the Directors on page 4. Additionally, information can be found in the financial statements of the ultimate parent, Burford Capital Limited. A copy of the financial statements can be obtained from their website at [www.burfordcapital.com](http://www.burfordcapital.com).

### **Principal risks and uncertainties**

On 19 August 2014 the Company issued £90m of retail bonds. The bonds are listed on the London Stock Exchange's Order Book for Retail Bonds and have an 8 year term, maturing on 19 August 2022, and a fixed coupon of 6.5% payable bi-annually.

On 26 April 2016, the Company issued a second set of retail bonds to the value of £100m. The bonds are listed on the London Stock Exchange's Order Book for Retail Bonds and have an 8.5 year term, maturing on 26 October 2024, and a fixed coupon of 6.125% payable bi-annually.

On 1 June 2017, the Company issued a third set of retail bonds to the value of £175m. The bonds are listed on the London Stock Exchange's Order Book for Retail Bonds and have a 9.5 year term, maturing on 1 December 2026, and a fixed coupon of 5.0% payable bi-annually.

The Directors consider the principal risk and uncertainty facing the Company to be its ability to service the capital and interest payments which is dependent on the performance of the Group. The Directors have considered the ability of Burford Capital Limited to ensure that the Company is in a position to make interest and capital repayments at the appropriate times, and as the Group is a profitable and solvent business, they are satisfied that it will be in a position to do so.

The issue of bonds with a fixed coupon minimises any financial risk to the Group as a result of interest rate fluctuations. The terms of the three bonds require that as long as they remain outstanding, Burford Capital Limited is required to ensure that at each reporting date, the Group leverage ratio (as defined in the bond documents) is no more than 1:2 (excluding certain subsidiaries) and as at the time of signing of these financial statements, this condition was met.

### **Review of operations**

The results for the period are set out in detail on page 9.

During the period, the Company received interim dividends from its subsidiaries, Burford Global Investments Limited and Burford Investments Limited, 2020: £nil (2019: £10,999,000).

There are no relevant KPIs applicable to the Company.

### **EMPLOYEES**

The Company has no employees.

On behalf of Directors



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L Paster  
Director

30 September 2020

### **Directors' report**

The Directors present their interim and unaudited financial statements for the period to 30 June 2020.

For further information on the operations of Burford Capital Limited, the ultimate parent company, please refer to the Annual Report which may be downloaded from their website [www.burfordcapital.com](http://www.burfordcapital.com).

### **Going concern**

The Company's business activities, together with the factors likely to affect its future performance, position and development are set out in the Strategic Report on page 2. The Strategic Report describes the financial position of the Company and its Financial Risk Management Objectives are outlined below.

Burford Capital PLC is a special purpose company which is a subsidiary of Burford Capital (UK) Limited, which is itself a subsidiary of Burford Capital Limited, the guarantor of the bonds as detailed in note 13 of the financial statements.

In considering the going concern basis of preparation of these financial statements the Directors have had regard to a number of factors. The Company's primary obligation for the forthcoming twelve months is to make the bi-annual interest payments on the bonds as they fall due. From the Company's perspective, Burford Capital Limited has confirmed to the Company that it will assist it in meeting its liabilities as they fall due, to the extent that money is not otherwise available to meet such liabilities.

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 Company and for the Guarantor. In assessing the going concern basis of accounting Management has considered ongoing compliance with applicable loan capital covenants, and the period end cash balances and forecast cash flows of both the Company and the Guarantor.

The Company has certain covenants associated with its loan capital and at present, the financial situation of the Guarantor 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 covenants being breached. Based on this analysis, it is Management's opinion that the circumstances which would give rise to a covenant breach, or a failure of the Guarantor to assist in meeting the Company's liabilities as they fall due, are highly unlikely. The first repayment on the Company's loan capital is not due until August 2022

On this basis, the Directors have a reasonable expectation that the Company has or has access to adequate resources to continue in operation for at least 12 months from the date of approval of these financial statements and has the ability to meet its liabilities as they fall due.

### **Dividends**

No dividends will be distributed for the period ended 30 June 2020 (30 June 2019: £nil).

### **Directors**

The Directors who held office during the year and to the date of this report were as follows:

C Arnott  
L Paster  
P Braverman

### **Post balance sheet events**

There have been no matters or circumstances after 30 June 2020 that would require disclosure or adjustment to these financial statements.

## **Directors' report (continued)**

### **Corporate governance**

The Company regards the successful identification, monitoring and control of risk as an essential part of its operations and has procedures in place to do so effectively. Due to the Company's limited scope and nature of its activities the Company's Board is itself responsible for all aspects of the Company's corporate governance. The Company does not, therefore, have a separate audit committee from that of Burford Capital Limited, the ultimate parent company whose Audit Committee performs this function for the Group.

### **Financial risk management objective**

The sole function of Burford Capital PLC is to act as a special purpose company to raise money by the issue of the Bonds. The net proceeds received by the Company from the issue of the Bonds were made available to other subsidiaries within the Group. Subsidiaries of the Group will use such amounts for the general corporate purposes of the Group and to introduce debt to its capital structure for economic efficiency. Burford Capital PLC's only material assets are therefore the intercompany assets created through the sharing of the Bonds' proceeds within the Group. The ability of Burford Capital PLC to repay the Bonds will be dependent upon remittances or repayments from Group subsidiaries and, therefore, will be subject to all the risks to which the Group is subject.

### **Risks relating to the Group**

#### *Investment selection and performance*

The Group is dependent on whether or not the investments and financings which it undertakes and insurance contracts which it has undertaken (collectively, "investments") will be successful or will pay returns. Assessing the value, strengths and weaknesses of litigation is complex and the outcome is not certain. Should the investments, financings and insurance contracts in which the Group is or becomes involved prove to be unsuccessful or produce returns below those expected, the ability of the Group to meet its commitments under the Bonds could be materially adversely affected.

#### *Inability to locate, and delay in entering into, investments*

The success of the Group is dependent upon the conclusion, management and realisation of suitable investments. There is no guarantee that the Group will be successful in sourcing suitable investments in a timely manner or at all, or in sourcing a sufficient number of suitable investments that meet the diversification and underwriting and other requirements of the Group in jurisdictions where such investments are desirable.

#### *The Group may experience fluctuations in its operating results*

Investors contemplating an investment in the Bonds should recognise that their market value can fluctuate and may not always reflect the underlying operating results of the Group. Such operating results may themselves vary from time to time due to a variety of factors including, but not limited to, the accounting valuations of the investments made by the Group, the recognition of recoveries and the collection of awards, settlement monies or other funds from investments. The actual results of the Group for a particular period should therefore not be taken as indicative of its performance in a future period.

#### *Regulation*

Law and professional regulation (including ethics regulation) in the area of acquiring or otherwise taking a financial position or a commercial interest with respect to claims and defences can be complex and uncertain in the U.S. and elsewhere. In various jurisdictions there are prohibitions or restrictions in connection with purchasing claims from claimants (known as maintenance, and a form of maintenance, called champerty), assignment of certain kinds of claims and/or participating in a lawyer's contingent fee interests (including ethical rules against sharing fees with lawyers and non-lawyers). Such prohibitions and restrictions, to the extent they exist, are governed by the rules and regulations of each state and jurisdiction in the U.S. and elsewhere and vary in degrees of strength and enforcement in different states and federal jurisdictions. This is a complex issue that involves both substantive law and also choice of law principles. The Group has retained counsel experienced in ethics and other professional matters, and assesses the foregoing legal and ethical

**Directors' report (continued)**

and other issues as appropriate and on an overall ongoing basis. However, in many jurisdictions, the relevant issues may not have been considered by the courts nor addressed by statute and thus obtaining clear opinions or legal advice may be difficult to achieve. Thus the Group's investments could be open to challenge or subsequently reduced in value or extinguished.

Changes in laws, regulation or ethical rules could further reduce or limit opportunities for the Group to make investments or could result in the reduction or extinction of the value of investment already concluded by the Group in such jurisdictions, and such changes are regularly proposed by groups opposed to litigation proliferation and others.

*Competition*

Competition for attractive investment opportunities may lead to lower potential returns than expected from individual investments, which may affect the Group's ability to invest on terms which it considers attractive. The Group may face competition from other entities, some of which may have significantly greater financial and/or technical resources than the Group, whose business may be at a more mature stage of development than that of the Group, which may develop or market alternative financial arrangements that are more effective or less susceptible to challenge than those developed or marketed by the Group, or that might render the Group's investment strategy obsolete or uncompetitive.

*Reputational risk*

Failure to protect the Group's reputation and brand in the face of ethical, legal or moral challenges could lead to a loss of trust and confidence. This could result in a decline in the client base and affect the Group's ability to recruit and retain good people, which could have a material adverse effect on the Group's financial performance.

The Guarantor recognises the high standards of corporate governance demanded of listed companies. The Guarantor has adopted and complied with the Finance Sector Code of Corporate Governance published by the Guernsey Financial Services Commission (the "Code"). The Code includes many of the principles contained in the UK Corporate Governance Code. While the Company is not required to comply with the Code, it has nevertheless elected to do so.

*Currency risk*

The Group's financial statements are presented in U.S. dollars and many of its assets are denominated in U.S. dollars. Although some of the Group's expenses are denominated in U.S. dollars, others are in sterling, euros and other currencies. Principal and interest on the Bonds are denominated and will be paid in sterling. There is a risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of U.S. dollars) and the risk that the U.S. Federal Reserve may impose or modify exchange controls. The Group may hedge some of its exposure to the U.S. dollar or other non-sterling currencies through forward foreign exchange contracts or through other financial products. While hedging may reduce currency risk, it is not possible to hedge fully or perfectly against currency fluctuations, and the Group may also elect to forego hedging. Accordingly, the holders of the bonds ("Bondholders") may be exposed to exchange rate risks between U.S. dollars (or other non-sterling currency) and sterling such that if the value of the U.S. dollar (or other non-sterling currency) falls relative to sterling, the Group's assets will, in sterling terms, be worth less.

*Evaluation and disclosure of investments and investment performance*

Details of investments that the Group has or is pursuing or intends to pursue, cannot and will not be disclosed on a named or detailed basis to Bondholders because of confidentiality and other restrictions. To this extent, Bondholders will therefore not have an opportunity to evaluate for themselves such investments and therefore Bondholders will be dependent upon the Group's judgement and ability in investing and managing its assets.

*Recovery collection risks*

The Group is exposed to credit risk in various investment structures, most of which involve investing sums recoverable only out of successful investments with a risk of loss of its investment cost. On

**Directors' report (continued)**

becoming contractually entitled to proceeds, depending on the structure of the particular investment, the Group could be a creditor of, or otherwise subject to 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. Part of the case selection process for investment involves an assessment by the Group of the ability of the defendant to pay a judgment or award if the case is successful. If the defendant is unable to pay or the claimant or defendant challenges the judgment or award, the Group may encounter difficulties in recovery.

*Potential commitments in excess of funds raised*

The Group may contract for commitments in matters in excess of its total funds. While the Group intends to manage its investment portfolio in such a manner as to minimise the risk of a mismatch between commitments and available cash, it is possible that such a mismatch will occur, which could cause damage to the Group and the potential loss of business and financial relationships.

*Reliance on lawyers*

The Group is particularly reliant on lawyers to litigate claims and defences with due skill and care. If they are not able to do this, or do not do this for other reasons, it is likely to have a material adverse effect on the value of the Group's investment. Whilst the Group will evaluate the lawyers involved in any investment (who are generally not selected by the Group), there is no guarantee that the outcome of a case will be in line with the lawyers' assessment of the case or in line with the expected skill and care from the lawyers.

*Changes in regulation*

The Group is subject to regulatory requirements currently and may be subject to additional regulatory requirements both in its current areas of activity and any future areas of activity. The Group will be under a duty to comply with any new rules, regulations and laws applicable to it. Compliance with these rules, regulations and laws could create additional burdens for the Group and could have a material adverse effect on the investment strategies of, and/or the value of, direct or indirect business or financial interests of the Group.

*Legal professional duties*

The Group will generally not wholly own or control a claim in which it has invested, and as a result the Group will not be the client of the law firm representing the owner of the claim that is the subject of an investment or financing

of the Group. Accordingly that law firm may be required to act in accordance with its client's wishes rather than those of the Group or may be subject to an overriding duty to the courts.

*Operational risks*

Operational risks, including the risk of fraud and other criminal acts carried out against the Group, are inherent in the Group's business. As the Group's business grows in size and complexity, and in particular as the Group enters new markets, operational risk increases.

Operational risk and losses can result from external and internal fraud, failures or inadequacies in systems or processes, failure to comply with regulatory requirements and conduct of business rules, errors by employees, natural disasters or the failure of external systems, for example, those of the Group's contractual counterparties. The Group has implemented a risk management framework which seeks to maintain residual risk exposures within defined risk appetite thresholds, and appropriate resources are devoted to developing efficient procedures, including the identification and rectification of weaknesses. However, it is not possible to implement procedures which fully control each of the operational risks noted above.

Terrorist acts, other acts of war or hostility and geopolitical, pandemic or other such events may result in economic and political uncertainties which could have a material adverse effect on U.S., U.K. and international economic conditions and more specifically on the Group's results of operations,

**Directors' report (continued)**

financial condition or prospects. In addition, an incident incapacitating the Group's management or systems could impact on the Group's ability to carry on its business.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Group will be unable to comply with its obligations as a company with securities admitted to the Official List of the Financial Conduct Authority.

*Reliance on key personnel*

The Group's performance is, to a large extent, dependent upon the judgement and ability of its senior management to implement the Group's strategy to use and commit the Group's capital and finance, manage and realise returns on its investments. The success of the Group will therefore depend largely upon the ability of certain members of its senior management and the Group's ability to train, motivate and retain them to ensure their continuing availability. The death, incapacity or loss of the service of any of its senior management could have a material adverse impact on the business of the Group.

In addition, the Group's performance may be limited by its ability to employ, train, motivate and retain sufficient skilled personnel. Such a failure to retain or recruit suitable replacements for significant numbers of skilled personnel could damage the Group's business.

*The Group's operations are dependent on the proper functioning of information technology systems*

The Group relies on its information technology ("IT") systems to conduct its business, including key account management, documentation, producing financial and management reports on a timely basis and maintaining accurate records. The Group's processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by increases in usage, human error, unauthorised access, natural hazards or disasters or similarly disruptive events. Any failure of the IT systems and/or third-party infrastructure on which the Group relies could lead to costs and disruptions that could adversely affect the Group's reputation, business, results of operations, financial condition and prospects.

Computer and data-processing systems are susceptible to malfunctions and interruptions (including those due to equipment damage, power outages, computer viruses and a range of other hardware, software and network problems). A significant malfunction or interruption of one or more of the Group's computer or data-processing systems could adversely affect the Group's ability to keep its operations running efficiently and affect service availability. In addition, it is possible that a malfunction of the Group's data system security measures could enable unauthorised persons to access sensitive data, including information relating to the Group's intellectual property or litigation or business strategy or those of its customers. Any such malfunction or disruptions could cause economic losses. A failure of the Group's IT systems could also cause damage to its reputation which could harm its business. Any of these developments, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with notes admitted to the Official List of the Financial Conduct Authority.

*Tax risks*

*Characterisation of investments*

Tax laws and regulations are under constant development and often subject to change as a result of government policy. The Group structures investments on a case-by-case basis in accordance with legal and ethical principles and limitations identified by the Group and its professional advisors. There is no guarantee that a state, federal or other governmental taxing authority in the jurisdiction where the investment is made or where the relevant claim is pending will accept, for tax or other regulatory purposes, the characterisation of the investment as intended and documented by the Group and reflected in the investment documents. Taxing or other regulatory authorities may deem the transaction to be characterised differently for local tax or other regulatory purposes, which could yield a different tax or regulatory treatment of the associated investment returns.

**Directors' report (continued)**

If the Group or a taxing authority does re-characterise investment contracts or disbursements for their accounting or taxing purposes respectively, this could result in additional tax being assessed on the Group on investment returns associated with the contract; a write down of the value of the investment asset on the books of the Group; or a re-characterisation of the investment contract for purposes of interpretation or enforcement of the Group's rights in a place whose courts have jurisdiction over the enforcement of the investment contract or judgment or arbitral award based on such contract.

**Tax leakage**

Some or all revenues earned by the Group may be subject to a significant income or corporate income tax liability (including withholdings) which cannot be reclaimed by the Group. If applicable, the rates of such taxes (or withholdings) will depend on the jurisdiction in which the revenues are earned (or with which they are connected) and will reduce the net returns on the Group's investments and, as a result, diminish the potential value of the Group's assets.

**Changes in taxation legislation or regulation may adversely affect the Group or Bondholders**

Any change in the Group's tax status, or in taxation legislation in any jurisdiction in which the Group carries on, or is deemed to carry on, a trade or business or from which its income is sourced, could affect the value of its investments and the Group's ability to achieve its investment objective, and may adversely affect returns to Bondholders.

### **Directors' responsibilities statement**

The Directors are responsible for preparing the Report of Directors, Strategic Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under the law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law and DTR 4.1, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply consistently;
- make judgement and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statement on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors, to the best of their knowledge, state that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the board and signed on its behalf by:



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L Paster  
Director

30 September 2020

**Burford Capital PLC**  
for the period ended 30 June 2020

**Income Statement**  
For the period ended 30 June 2020

	Notes	1 January to 30 June 2020 £'000	1 January to 30 June 2019 £'000
Income	2	2,006	1,825
Operating expenses	3	(1,862)	(1,678)
Foreign exchange movements		23	(4)
<b>Operating Profit</b>		<b>167</b>	<b>143</b>
Dividend income from subsidiaries	4	-	10,999
Finance costs	5	(10,506)	(10,467)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(10,339)</b>	<b>675</b>
Tax credit on profit on ordinary activities	6	502	1,556
<b>(Loss)/profit for the financial period</b>		<b>(9,837)</b>	<b>2,231</b>

*The above income statement should be read in conjunction with the accompanying note*

**Burford Capital PLC**  
for the period ended 30 June 2020

**Balance Sheet**  
**As at 30 June 2020**

	Notes	30 June 2020 £'000	31 December 2019 £'000	30 June 2019 £'000
<b>Non-current assets</b>				
Investments in subsidiaries	9	342,694	342,694	342,694
Loans advanced to fellow group undertakings	10	79,400	79,400	79,400
		<u>422,094</u>	<u>422,094</u>	<u>422,094</u>
<b>Current assets</b>				
Amounts owed by fellow group undertakings	11	2,634	603	6,054
Cash		1	4	317
<b>Total current assets</b>		<u>2,635</u>	<u>607</u>	<u>6,371</u>
<b>Creditors: amounts falling due within one year</b>				
Other creditors	12	(30,145)	(18,475)	(14,799)
<b>Net current liabilities</b>		<u>(27,510)</u>	<u>(17,868)</u>	<u>(8,428)</u>
<b>Total assets less current liabilities</b>		<u>394,584</u>	<u>404,226</u>	<u>413,666</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(362,802)</b>	<b>(362,607)</b>	<b>(362,409)</b>
<b>Net assets</b>		<u><u>31,782</u></u>	<u><u>41,619</u></u>	<u><u>51,257</u></u>
<b>Capital and reserves</b>				
Called up share capital	14	7,050	7,050	7,050
Share premium account	14	73,194	73,194	73,194
Income Statement		(48,462)	(38,625)	(28,987)
<b>Equity shareholders' surplus</b>		<u><u>31,782</u></u>	<u><u>41,619</u></u>	<u><u>51,257</u></u>

These financial statements of Burford Capital PLC, company number 09077893 were approved and signed by the Directors

L Paster  
Director



C Arnott  
Director



30 September 2020

*The above income statement should be read in conjunction with the accompanying notes*

**Burford Capital PLC**  
for the period ended 30 June 2020

**Statement of changes in equity**  
For the period ended 30 June 2020

30 June 2020	Share Capital £'000	Share Premium Account £'000	Income Statement £'000	Total £'000
Balance at 1 January 2020	7,050	73,194	(38,625)	41,619
Loss for the period	-	-	(9,837)	(9,837)
<b>Balance at 30 June 2020</b>	<b>7,050</b>	<b>73,194</b>	<b>(48,462)</b>	<b>31,782</b>

  

30 June 2019	Share Capital £'000	Share Premium Account £'000	Income Statement £'000	Total £'000
Balance at 1 January 2019	7,050	73,194	(31,218)	49,026
Profit for the period	-	-	2,231	2,231
<b>Balance at 30 June 2019</b>	<b>7,050</b>	<b>73,194</b>	<b>(28,987)</b>	<b>51,257</b>

*The above income statement should be read in conjunction with the accompanying notes*

**Burford Capital PLC**  
for the period ended 30 June 2020

**Statement of cash flows**  
**For the period ended 30 June 2020**

	1 January to 30 June 2020 £'000	1 January to 30 June 2019 £'000
<b>Cash flows from operating activities</b> (Loss)/profit for the period before tax	<b>(10,339)</b>	675
<b>Adjusted for:</b>		
Finance costs	10,506	10,467
Dividend income	-	(10,999)
	<b>167</b>	143
<b>Changes in working capital</b>		
(Increase) in receivables	<b>(4,694)</b>	(5,912)
Increase in payables	<b>14,883</b>	5,180
<b>Net cash inflow/(outflow) from operating activities</b>	<b>10,356</b>	(589)
<b>Cash flows from financing activities</b>		
Interest paid on loan capital	<b>(10,363)</b>	(10,362)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(10,363)</b>	(10,362)
<b>Cash flows from investing activities</b>		
Dividend income	-	10,999
<b>Net cash inflow from investing activities</b>	-	10,999
<b>Net decrease in cash</b>	<b>(3)</b>	48
<b>Reconciliation of net cash flow to movements in cash and cash equivalents</b>		
Cash at beginning of period	4	269
(Decrease)/increase in cash	<b>(3)</b>	48
<b>Cash at end of period</b>	<b>1</b>	317

*The above income statement should be read in conjunction with the accompanying notes*

## **Notes to the financial statements**

### **1. Significant accounting policies**

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable United Kingdom law and Generally Accepted Accounting Practice and on a going concern basis. The financial statements have been prepared under the historical cost convention and the numbers are reported in Sterling GBP, which is the presentational and functional currency of the Company, rounded to the nearest £'000 unless otherwise indicated.

The Company prepares its financial statements under FRS 101 'Reduced Disclosure Framework'. FRS 101 forms part of the new UK financial reporting regime and allows UK qualifying subsidiaries to apply EU adopted International Financial Reporting Standards ("IFRS") but with reduced disclosure.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company has taken advantage of the following exemptions under FRS 101:

- FRS 101.8(b) the requirements of IFRS 3 Business Combinations;
- FRS 101.8(d) the requirements of IFRS 7 Financial Instruments: Disclosures;
- FRS 101.8(e) the requirements of IFRS 13 Fair Value Measurement;
- FRS 101.8(g) the requirements of IAS 1 Presentation of Financial Statements;
- FRS 101.8(i) the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- FRS 101.8(k) the requirements of IAS 24 Related Party Disclosures; and
- FRS 101.8(l) the requirements of IAS 36 Impairment of Assets.

#### **Going concern**

In considering the going concern basis of preparation of these financial statements the Directors have had regard to a number of factors. The Company's primary obligation for the forthcoming twelve months is to make the bi-annual interest payments on the bonds as they fall due. From the Company's perspective, Burford Capital Limited has confirmed to the Company that it will assist it in meeting its liabilities as they fall due, to the extent that money is not otherwise available to meet such liabilities.

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 Company and for the Guarantor. In assessing the going concern basis of accounting Management has considered ongoing compliance with applicable loan capital covenants, and the period end cash balances and forecast cash flows of both the Company and the Guarantor.

The Company has certain covenants associated with its loan capital and at present, the financial situation of the Guarantor 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 covenants being breached. Based on this analysis, it is Management's opinion that the circumstances which would give rise to a covenant breach, or a failure of the Guarantor to assist in meeting the Company's liabilities as they fall due, are highly unlikely. The first repayment on the Company's loan capital is not due until August 2022

On this basis, the Directors have a reasonable expectation that the Company has or has access to adequate resources to continue in operation for at least 12 months from the date of approval of these financial statements and will be able to meet its liabilities as and when then fall due and payable. Accordingly, they adopt the going concern basis in preparing the interim report and financial statements.

## **1. Significant accounting policies (continued)**

The financial statements have been prepared on a going concern basis as the ultimate parent undertaking, Burford Capital Limited, has agreed to act as Guarantor to the bondholders as described in note 13.

### **Investment in Subsidiaries**

Investments are stated at cost less provision for any impairment in value. Investments are reviewed annually for impairment.

### **Taxation**

Corporation tax is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be sustainable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

### **Loans**

Loans advanced to fellow group undertakings are interest free and repayable on demand. These loans 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 and are classified as 'financial assets at amortised cost'. These loans are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment calculated under the expected loss model.

### **Borrowings**

Interest bearing loans are initially recorded at the proceeds received, net of issue costs, and subsequently recorded at amortised cost using the effective interest rate method.

Finance costs are recorded on an accrual basis in the profit and loss account using the effective interest method and added to the carrying amount. The carrying amount is accordingly split between current and non-current, representing the interest and principal amounts respectively.

### **Cash**

Cash comprises cash held in bank accounts.

### **Expenses**

All expenses are accounted for on an accruals basis.

### **Foreign Currency**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Income Statement.

### **Interest income**

Interest income is calculated using the effective interest rate method and is recognised on an accruals basis.

**1. Significant accounting policies (continued)**

**Other income**

Other income includes recharge of guarantor fee and dividends received from subsidiary undertakings. Guarantor fee income is recognised on the accruals basis and dividend income when the right to receive payment is legally established.

**2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The most significant judgements, estimates and assumptions are discussed below.

**Going concern**

The most significant judgement relates to the assessment of going concern and the Company's ability to service its capital and interest payments is dependent on the performance of the Group. This is reviewed in more detail in the Report of Directors and the Strategic Report and in accounting policy 1 above.

**Notes to the financial statements (continued)**

**1. Income**

	30 June 2020 £'000	30 June 2019 £'000
Recharge of Guarantor fee	181	173
Intra-group Guarantor fee receivable	1,825	1,652
	<b>2,006</b>	<b>1,825</b>

Income represents the recharge of the current year guarantor fee from the ultimate parent company (see note 3).

The Company is joint guarantor and included within income is £181,000 (30 June 2019: £173,000) Intra-group Guarantor fees receivable, from Burford Capital Finance LLC, a fellow special purpose entity within the Burford group as detailed further in note 15.

**2. Operating expenses**

The loss on ordinary activities before taxation is stated after charging:

	30 June 2020 £'000	30 June 2019 £'000
Guarantor fee (note 2)	1,825	1,652
Statutory audit fee to Ernst & Young LLP	16	15
Other costs	21	11
	<b>1,862</b>	<b>1,678</b>

As stated in the Report of Directors Burford Capital Limited has agreed to act as Guarantor in relation to the Bonds. The Guarantor fee is paid to the ultimate parent which has guaranteed all the bonds.

**3. Dividend income from subsidiaries**

	30 June 2020 £'000	30 June 2019 £'000
Dividend income from subsidiaries	-	10,999

**4. Finance costs**

	30 June 2020 £'000	30 June 2019 £'000
Interest and finance charges on 6.5% 2022 bond	2,909	2,901
Interest and finance charges on 6.125% 2024 bond	3,126	3,111
Interest and finance charges on 5% 2026 bond	4,471	4,455
	<b>10,506</b>	<b>10,467</b>

Notes to the financial statements (continued)

5. Tax on profit on ordinary activities

	30 June 2020 £'000	30 June 2019 £'000
<b>Current Tax</b>		
UK corporation tax at 19% (2019:19%)	(502)	(1,556)
Current year adjustment to prior year	-	-
Total current tax	(502)	(1,556)
<b>Deferred Tax</b>		
Current period	-	-
Tax credit in the Income Statement	(502)	(1,556)

**Factors affecting the total tax charge**

The total tax for the period is set out in the reconciliation below:

	30 June 2020 £'000	30 June 2019 £'000
(Loss)/profit on ordinary activities before tax	(10,339)	675
Current tax at 19% (2019: 19%)	(1,964)	13
Factors affecting charge:		
Dividend income not taxable	-	(2,090)
Loss not recognised	1,182	-
Deferred tax not recognised	280	521
<b>Total tax</b>	(502)	(1,556)

The Company has cumulative tax losses which arose in the UK of £12,579,000 (30 June 2019: £2,257,000) that are available indefinitely for offset against future taxable profits. Following the introduction of Corporate Interest Restriction ('CIR') from 1 April 2017, £7,327,000 (30 June 2019: £4,265,000) of the Company's finance costs have been disallowed for tax. These are potentially deductible over the next 5 years subject to the CIR rules.

Deferred tax assets have not been recognised in respect of these as there is uncertainty over the recoverability.

The corporation tax rate is 19%.

6. Staff costs

There were no employees or staff costs for the period ended 30 June 2020 (30 June 2019: £nil).

7. Remuneration of directors

The remuneration of the directors is paid by the directors' employing company within the Burford Group. The directors consider that it is not practical to allocate their time and that the costs of their services to the Company are immaterial and accordingly no remuneration has been apportioned to the Company.

Notes to the financial statements (continued)

8. Investments in subsidiaries

	30 June 2020 £'000	31 December 2019 £'000	30 June 2019 £'000
At 1 January and at end of period	<u>342,694</u>	<u>342,694</u>	<u>342,694</u>

At 30 June 2020, investments in group undertakings were as follows, all of which are 100% owned subsidiaries:

The Company	Registered office	Class of shares held	Proportion Held %	Held directly or indirectly
Burford Investments Limited	8 <sup>th</sup> Floor, Brettenham House 2-19 Lancaster Place, London, WC2E 7EN	Ordinary	100%	Direct
Burford Global Investments Limited	8 <sup>th</sup> Floor, Brettenham House 2-19 Lancaster Place, London, WC2E 7EN	Ordinary	100%	Direct

9. Loans advanced to fellow group undertakings

	30 June 2020 £'000	31 December 2018 £'000	30 June 2018 £'000
Loans advanced to fellow group undertakings	<u>79,400</u>	<u>79,400</u>	<u>83,775</u>

The terms of the loan are that it is interest free and repayable on demand. The Directors have no intention however of demanding repayment of this debt within 12 months of the date of signing these financial statements.

10. Amounts owed by fellow group undertakings

	30 June 2020 £'000	31 December 2019 £'000	30 June 2019 £'000
Amounts owed by fellow group undertakings	<u>2,634</u>	<u>603</u>	<u>6,054</u>

**Notes to the financial statements (continued)**

**11. Other creditors**

	<b>30 June 2020 £'000</b>	<b>31 December 2019 £'000</b>	<b>30 June 2019 £'000</b>
Loan interest payable (note 13)	3,912	3,964	3,905
Accruals	20	33	15
Amounts owed to fellow group company	26,213	14,478	10,879
	<b>30,145</b>	<b>18,475</b>	<b>14,799</b>

As stated in the Directors' Report, Burford Capital Limited has confirmed to the Company that it will assist it in meeting its liabilities as they fall due.

**12. Creditors: Amounts falling due after more than one year**

	<b>30 June 2020 £'000</b>	<b>31 December 2019 £'000</b>	<b>30 June 2019 £'000</b>
As at 1 January	366,571	366,209	366,209
Finance charge (note 5)	10,506	21,087	10,467
Interest paid	(10,363)	(20,725)	(10,362)
At end of period	<b>366,714</b>	<b>366,571</b>	<b>366,314</b>
<b>Split:</b>			
Loan capital	365,000	365,000	365,000
Bond issue costs to be charged as finance costs	(2,198)	(2,393)	(2,591)
<b>Creditors due in more than one year</b>	<b>362,802</b>	<b>362,607</b>	<b>362,409</b>
Loan capital interest payable (note 12)	3,912	3,964	3,905
	<b>366,714</b>	<b>366,571</b>	<b>366,314</b>

On 19 August 2014, the Company issued £90m of retail bonds. The bonds are listed on the London Stock Exchange's Order Book for Retail Bonds and have an 8 year term, maturing on 19 August 2022, and a fixed coupon of 6.5% payable bi-annually.

On 26 April 2016, the Company issued a second set of retail bonds to the value of £100m. The bonds are listed on the London Stock Exchange's Order Book for Retail Bonds and have an 8.5 year term, maturing on 26 October 2024, and a fixed coupon of 6.125% payable bi-annually.

On 1 June 2017, the Company issued a third set of retail bonds to the value of £175m. The bonds are listed on the London Stock Exchange's Order Book for Retail Bonds and have a 9.5 year term, maturing on 1 December 2026, and a fixed coupon of 5.0% payable bi-annually.

The Bonds constitute unsecured debt obligations of the Issuer, Burford Capital PLC. The ultimate parent, Burford Capital Limited, is the Guarantor for interest and capital repayments as they fall due.

So long as any Bonds remain outstanding, Burford Capital Limited is required to ensure that at each reporting date, the Group leverage ratio (as defined in the Bond documents and excluding certain identified subsidiaries) is no more than 1:2 (50%).

**Notes to the financial statements (continued)**

**13. Called up share capital**

	30 June 2020		31 December 2019		30 June 2019	
	No.	£'000	No.	£'000	No.	£'000
Ordinary shares - fully paid	7,050,001	7,050	7,050,001	7,050	7,050,001	7,050

	30 June 2020	31 December 2019	30 June 2019
	£'000	£'000	£'000
Share Premium Account:			
Share premium reserve	73,194	73,194	73,194

**14. Capital commitments and guarantees**

The Company had no capital commitments as at 30 June 2020 (31 December 2019 and 30 June 2019: Enil).

On 12 February 2018, Burford Capital Finance LLC, issued retail bonds to the value of \$180m. The bonds are listed on the London Stock Exchange's Order Book for Retail Bonds and have a 7.5 year term, maturing on 12 August 2025, and a fixed coupon of 6.125% payable bi-annually.

The Bonds constitute unsecured debt obligations of the Issuer, Burford Finance LLC. The Company and the ultimate parent, Burford Capital Limited will jointly and severally, unconditionally and irrevocably guarantee interest and capital repayments as they fall due.

**15. Post balance sheet events**

There have been no matters or circumstances after 30 June 2020 that would require disclosure or adjustment to these financial statements.

**16. Related party transactions**

The Company has taken advantage of the exemptions available in FRS 101 for IAS 24 'Related Party Disclosures' from disclosing details of transactions with other wholly owned subsidiaries in the Group.

David Lowe, a non-executive director of Burford Capital Limited, the ultimate parent and Guarantor of the Bonds, owned £300,000 nominal of the 6.5% 2022 bonds (December 2019 £300,00; June 2019 £300,000). David Lowe retired as a director of Burford Capital Limited on 13 May 2020.

There are no other related party transactions that need to be disclosed here.

**17. Ultimate parent & controlling party**

The immediate parent is Burford Capital (UK) Limited, a Company incorporated in the United Kingdom and registered in England & Wales, copies of whose financial statements can be obtained from:

8<sup>th</sup> Floor, Brettenham House  
2-19 Lancaster Place  
London  
WC2E 7EN

**Notes to the financial statements (continued)**

The ultimate parent undertaking at the date these financial statements were approved was Burford Capital Limited, which is incorporated and registered in Guernsey, copies of whose consolidated financial statements can be obtained from:

Oak House  
Hirzel Street  
St Peter Port  
Guernsey  
GY1 2NP