Company Registration No. 06016173

Burford Capital (UK) Limited

Annual Report and Financial Statements for the year ended - 31 December 2019

Burford Capital (UK) Limited
Contents
For the year ended 31 December 2019

Burford Capital (UK) Limited
Corporate directory
For the year ended 31 December 2019

Directors	C Arnott C Bogart R D Clark J Molot L Paster
Company secretary	P Leibfried
Registered office	8th Floor, Brettenham House 2-19 Lancaster Place London WC2E 7EN
Auditor	Ernst & Young LLP 25 Churchill Place Canary Wharf E14 5EY
Bankers	Bank of America Merrill Lynch 2 King Edward Street London EC1A 1HQ

Burford Capital (UK) Limited
Strategic report
For the year ended 31 December 2019

The Directors present their Strategic Report for the financial statements for the year ended 31 December 2019. 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 on page 2.

Principal activities
The Company's principal activities are insurance intermediation, arranging the sale and administration of After the Event (ATE) insurance and related services, for which it receives profit commission income, and advisory services relating to litigation finance and risk assessment. The Company is not itself an authorised insurer and is regulated by the Financial Conduct Authority, FCA, as an insurance intermediary. All insurance policies are issued under binding authority agreements in the name of Great Lakes Reinsurance (UK) SE (a wholly-owned subsidiary of the Munich Re Group). In addition, the Company also provides global asset recovery and corporate intelligence services.

Business Review
The result for the year is shown in the income statement on page 13.

Services revenue from Asset Recovery has continued to contribute to the Company and wider group as a whole and has resulted in £2.2m of revenue in 2019 (2018: £2.9m), representing 44% of revenue.

Following the Jackson Reform in 2013 and the cessation of writing new ATE business in 2016, there has been a general decline in the profit commission income that the company earns from ATE insurance. The Company expects that as the number of outstanding cases shrinks it's income is likely to become more volatile. This volatility is noticeable in the 2019 results, with a substantial decrease in profit commission income, due the settlement of two large cases towards the end of year 2018.

The Company KPIs for the year are as follows:

	2019 £'000	2018 £'000
Profit commission income	2,812	7,815
Services revenue	2,230	2,894
(Loss)/profit on ordinary activities before tax	(2,933)	4,028

Principal risks and uncertainties
The Company is exposed to various financial, operational and regulatory risks. The Company manages these risks via a bottom-up risk assessment process which identifies risks and records them in a risk register, together with how they are addressed. The principal risks are reviewed by the Board and the Risk Committee. The Directors consider the principal risks and uncertainties facing the Company to be:

Credit Risk
The Company earns profit commission on the insurance business it arranges in the name of Great Lakes Reinsurance (UK) SE. The amount of profit commission earned is dependent upon the quality of the assessment of the insurance risks, the pricing of those risks and the recoverability of premium from the counterparty.

On the services part of the business almost half of the revenue in 2019 represented work for other Group companies. For the remainder credit risk is minimised by ensuring that clients are billed monthly wherever possible and by regularly monitoring the outstanding amounts. In addition, the work is spread across many clients with no one client being responsible for more than 10% of revenue.

Legislative and regulatory changes
The Company is regulated by the Financial Conduct Authority and as such business operations could be adversely affected by regulatory and/or legislative changes.

Reliance on Great Lakes Reinsurance (UK) plc
All insurance risks are underwritten by Great Lakes Reinsurance (UK) SE (a wholly-owned subsidiary of the Munich Re Group). The Company constantly monitors the credit rating of Great Lakes Reinsurance (UK) SE, which is rated A+ by AM Best and AA- by S&P (http://www.munichre.com/en/ir/ratings/ratings-01/index.html).

Quarterly meetings are held with Munich Re and Great Lakes Reinsurance (UK) SE to discuss the underwriting performance.

Failure of policy wording
If the policy wording is found to be defective, then premiums may not be collected, and the Company may not receive its profit commission. The Company maintains consistent policy wordings to ensure that policies are fair and premiums are recoverable on behalf of Great Lakes Reinsurance (UK) SE where due. Changes to policy wordings must be authorised by the executive directors.

Loss of key staff
The Company's key staff are essential to delivering the Company's strategy. The Company provides staff with a competitive salary and range of benefits, as well as training and development opportunities. The success of the Company will therefore depend largely upon the ability of certain members of the Company's senior management and the Company's ability to train, motivate and retain them to ensure their continuing availability.

Investment selection and performance
It is important to the Company that the judgment investments it identifies for the Group to invest in and on which it will work for the Group are successful and will pay returns. Assessing the value, strengths and weaknesses of litigation is complex and the outcome is not certain. Should the investments in which the Group is or becomes involved prove to be unsuccessful or produce returns below those expected, then the Group may be reluctant to invest in such investments in the future which will affect the amount of work for the Company.

Liquidity and cash flow risk
Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. To manage this risk, the Company forecasts its cash requirements. The Company maintains sufficient cash via significant cashflows generated from profit commissions earned and asset recovery services work, providing a balance in excess of requirements for most eventualities.

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

Section 172(1) statement
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of members of the Burford group and our relationship with regulators. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

As is normal for large companies, we delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Among other areas, we review health and safety, financial and operational performance, risk and legal and regulatory compliance. In addition, the Group Board review other areas over the course of the financial year including the Company's business strategy, key risks, stakeholder-related matters, and governance, compliance and legal matters.

The Company's key stakeholders are its workforce, clients and regulators. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the board judges that it should engage directly with certain stakeholders on certain issues, the size and spread of both our stakeholders and the Burford group means that generally our stakeholder engagement best takes place at a group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagements that takes place with the Group's stakeholders so as to indicate the issues to which the directors must have regard see page 10 of the Burford Capital Limited 2019 Annual Report.

We set out below some examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us.

An example of this was the company identified that its existing office space was insufficient to accommodate the growing business. Following a review the company identified new premises that it moved into during the year which provide a significantly improved working environment for its staff and that the Board believe will help it retain existing staff and attract new staff.

A further example is that in 2019 we have not recommended a payment of a dividend. In making our decision we considered a range of factors. These included the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in our business and the expectations of our shareholder as the supplier of long-term equity capital to the Company.

Likely future developments

As of 31 December 2016, the Company concluded that the level of attractive demand for ATE insurance was insufficient to warrant the additional investment required in this business and accordingly ceased writing new insurance business. As noted in the Strategic Report, the Company anticipates a decline in income however that decline is likely to be volatile as ongoing cases resolve.

Burford Capital (UK) Limited
Strategic report
For the year ended 31 December 2019

Employees
The Company remains committed to employee involvement and equality of opportunity. Financial and other information on matters concerning employees is regularly provided to the Directors. Regular meetings and consultations with staff are made in order that views of employees are taken into account in making decisions that are likely to affect their interests.

The average number of employees during the year was 41 (2018: 35) as detailed in note 6 of the financial statements.

On behalf of the Directors

L Paster
Director

6 May 2021

Burford Capital (UK) Limited
Directors' report
For the year ended 31 December 2019

The Directors present their Directors' Report and audited financial statements for the year ended 31 December 2019.

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 3.

The Directors are satisfied that the Company has sufficient resources to enable it to continue as a going concern for the foreseeable future and consequently have adopted the going concern basis in preparing these annual report and accounts. This view is supported by the strength of the Company's balance sheet, set out on page 14, which shows significant cash resources and net assets of £91.5m.

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 the Group. In assessing the going concern basis of accounting, Management has considered the year end cash balances and forecast cash flows of both the Company and the ultimate parent company and its subsidiaries ("Group").

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 the financial statements and has the ability to meet its liabilities as they fall due.

Therefore, the financial statements as at 31 December 2019 have been prepared on a going concern basis.

Directors

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

C Arnott
C Bogart
R D Clark
J Molot
L Paster

The Company's articles of association give the members of the Board an indemnity (including qualifying third party indemnity provisions within the meaning of section 234 Companies Act 2006, which were in force during the year ended 31 December 2019 and remain in force) against liabilities incurred in relation to the affairs of the Company. The Group also purchases directors' and officers' liability insurance which gives appropriate cover for legal action brought against directors of group companies.

Post balance sheet events
On 30 January 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 ultimate parent has closed its offices and implemented business continuity plans for staff to work from home without noticeable impact on service delivery and operations.

The Company 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 ultimate parent 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. As a result, the impact of this event on the Company is not expected to be material.

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 Company is set out in note 1 on page 16.

With the exception of these events and considerations, no other post balance sheet events affecting the financial statements or related disclosures have occurred to date.

Directors' responsibilities statement
The Directors are responsible for preparing the strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with FRS 101 'Reduced Disclosure Framework'. Under company law 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 the profit or loss of the Company for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Burford Capital (UK) Limited
Directors' report
For the year ended 31 December 2019

Disclosure of information to the auditors
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
Ernst and Young LLP were appointed as auditors of the Company on 15 June 2012 in accordance with S487 of Companies Act 2006 and are deemed reappointed as the Company's auditors.

Approved by the board and signed on its behalf by:

L Paster
Director

6 May 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BURFORD CAPITAL (UK) LIMITED

Opinion

We have audited the financial statements of Burford Capital (UK) Limited (the 'Company') for the year ended 31 December 2019 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 Company'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.

Other information

The other information comprises the information included in the annual report, other than the 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or 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 accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; 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' responsibility statement set out on page 8, 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 Company'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 company 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.

Burford Capital (UK) Limited
Independent auditor's report to the members of Burford Capital (UK) Limited

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Ashley Coups (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 6 May 2021

Burford Capital (UK) Limited
Income statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue			
Revenue	4	5,042	10,709
Expenses			
Operating expenses		(7,937)	(6,741)
Operating (loss)/profit		(2,895)	3,968
Interest income		79	60
Other income		27	-
Finance costs - lease		(144)	-
(Loss)/profit before tax on ordinary activities		(2,933)	4,028
Tax on ordinary activities	8	708	(800)
(Loss)/profit after tax on ordinary activities for the year		(2,225)	3,228
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/income for the year		(2,225)	3,228

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

Burford Capital (UK) Limited
Balance sheet
As at 31 December 2019

	Note	2019 £'000	2018 Restated (Note 3) £'000
Assets			
Non-current assets			
Investments in subsidiaries	10	73,195	73,195
Tangible assets	9	3,633	242
Intangibles	11	3	10
Loan receivable from parent undertaking	12	5,964	6,148
Deferred tax asset	8	248	47
Total non-current assets		83,043	79,642
Current assets			
Debtors	13	15,752	14,566
Cash at bank		195	2,953
Total current assets		15,947	17,519
Total assets		98,990	97,161
Liabilities			
Non-current liabilities			
Deferred tax liability	8	167	16
Lease liabilities	15	2,819	-
Total non-current liabilities		2,986	16
Current liabilities			
Creditors: Amounts falling due within one year	14	1,396	891
Accruals		3,096	2,489
Total current liabilities		4,492	3,380
Total liabilities		7,478	3,396
Net assets		91,512	93,765
Equity			
Share premium account	17	73,195	73,195
Retained profits	3	18,317	20,570
Total equity		91,512	93,765

These financial statements of Burford Capital (UK) Limited, company registration no. 06016173, were approved and signed by the Directors:

L Paster
Director

C Arnott
Director

6 May 2021

The above balance sheet should be read in conjunction with the accompanying notes

Burford Capital (UK) Limited
Statement of changes in equity
For the year ended 31 December 2019

	Share Capital £'000	Share Premium Account £'000	Share-based payments Reserves £'000	Income Statement £'000	Total equity £'000
Balance at 1 January 2018	-	73,195	-	18,015	91,210
Adjustment for correction of error (note 3)	-	-	-	(673)	(673)
Balance at 1 January 2018 - restated	-	73,195	-	17,342	90,537
Profit after tax on ordinary activities for the year	-	-	-	3,228	3,228
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,228	3,228
Transactions with owners in their capacity as owners:					
Share-based payments (note 18)	-	-	273	-	273
Charge from fellow group company	-	-	(273)	-	(273)
Balance at 31 December 2018	-	73,195	-	20,570	93,765

	Share Capital £'000	Share Premium Account £'000	Share-based payments Reserves £'000	Income Statement £'000	Total equity £'000
Balance at 1 January 2019	-	73,195	-	20,570	93,765
Adjustment for change in accounting policy (note 1)	-	-	-	(28)	(28)
Balance at 1 January 2019 - restated	-	73,195	-	20,542	93,737
Loss after tax on ordinary activities for the year	-	-	-	(2,225)	(2,225)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(2,225)	(2,225)
Transactions with owners in their capacity as owners:					
Share-based payments (note 18)	-	-	597	-	597
Charge from fellow group company	-	-	(597)	-	(597)
Balance at 31 December 2019	-	73,195	-	18,317	91,512

The above statement of changes in equity should be read in conjunction with the accompanying notes

Burford Capital (UK) Limited
Notes to the financial statements
For the year ended 31 December 2019

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The following Accounting Standards and Interpretations are most relevant to the Company:

IFRS 16 Leases
The Company has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the balance sheet. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

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 Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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.

On adoption of IFRS 16, the Company recognised lease liabilities of £260,000 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%. 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 Company 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 assets in the balance sheet.

Going concern
The Directors are satisfied that the Company has sufficient resources to enable it to continue as a going concern for the foreseeable future and consequently have adopted the going concern basis in preparing these annual report and accounts. This view is supported by the strength of the Company's balance sheet, set out on page 14, which shows significant cash resources and net assets of £91.5m.

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 the Group. In assessing the going concern basis of accounting, Management has considered the year end cash balances and forecast cash flows of both the Company and the ultimate parent company and its subsidiaries ("Group").

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 the financial statements and has the ability to meet its liabilities as they fall due.

Therefore, the financial statements as at 31 December 2019 have been prepared on a going concern basis.

1. Significant accounting policies (continued)

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 401 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(a) the requirements of IFRS 2 Share based Payment;
- 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(h) the requirements of IAS 7 Statement of Cash Flows;
- 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 IAS 36 Impairment of Assets.

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

Revenue
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations, and establishes a five-step model to account for all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

1. Significant accounting policies (continued)

The Company adopted IFRS 15 using the modified retrospective method of application to all contracts as of 1 January 2018 and there was no material impact on its reported amounts.

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Revenue includes profit commission on the sale of insurance policies and revenue earned from the provision of judgment enforcement services.

Profit Commission
Profit commission is the amount derived from the sale of After-the-Event (ATE) legal expenses insurance policies issued in the name of Great Lakes Reinsurance (UK) SE ("the Insurer") under binding authority agreements. Profit commission is calculated in accordance with the terms of the relevant agreements with the Insurer, and in most instances is earned when underlying cases are successfully concluded. Profit commission from cases concluded in prior years may be subject to adjustment where subsequent cost proceedings alter the value of the underlying premiums. ATE policies are for legal proceedings made, commenced or brought within England and Wales.

Revenue is recognised when a reliable estimate of the profit commission can be made and it is highly unlikely that a significant reversal of the amount will occur which is generally when the underlying cases have successfully concluded.

Judgment Enforcement Services
Work is invoiced as it is performed thus revenue represents the value of work invoiced.

Share-based payments
Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period.

Fair value is determined by an external valuer using the Monte Carlo pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

At each balance sheet date before vesting, the cumulative expense is calculated, the movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Interest income and expense
Interest income and expense are recognised on an accruals basis using the effective interest method.

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

1. Significant accounting policies (continued)

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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 temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Cash
Cash comprises cash held at bank.

The Company holds a bank account in trust for the Insurer as part of the intermediary arrangements in place. At 31 December 2019 this account totalled £8,504,033 (2018: £4,988,323). This account is not included in the financial statements since they it is not owned by the Company, but instead the Company administers the account on behalf of the Insurer.

Debtors
Debtors are recognised at nominal value and are reviewed for recoverability. They do not carry any interest. Trade debtors represent amounts due on judgment enforcement fee for service work and profit commission income receivable from the Insurer once the related intermediated insurance premium amounts are collected by the insurer.

IFRS 9 requires the Company to record expected credit losses (ECLs) on its debtors, either on a 12-month or lifetime basis. The Company applies the simplified approach to recognize impairment on debtors based on the lifetime expected credit loss The Company has determined there is no material impact of ECLs on the financial statements.

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:

Leasehold improvements	Life of lease
Fixtures, fittings and equipment	5 years
Computer hardware	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

1. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Dividends
Dividends payable are recognised as a liability in the period in which they are declared.

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 profit and loss account.

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

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.

Investments in Subsidiaries
At the reporting date, the Company assesses whether objective evidence exists that any of its investments in subsidiary undertakings are impaired.

3. Restatement of comparatives

Correction of error
The Company has performed a detailed analysis of the calculation of the profit commission on ATE. This analysis identified that in calculating the profit commission due to the Company, some costs relating to VXL Premiums that had been paid to the Munich Re Group in previous years, when cases were won had not been deducted as costs in calculating the profit commission due to the Company.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. As a result, the amount of profit commission recorded by the Company should have reflected these additional VXL premiums paid to the Munich Re Group in the year in which the cases won and the premium was due and paid.

The Company identified 2017 (and prior) VXL Premiums which were not reflected as a cost in the calculation of the profit commission on ATE. As a result the 2017 (and prior) profit commission on ATE in the Company accounts was understated by £663,000 before tax (£673,000 after tax).

The directors have applied the restatement, as required by IAS 8, by restating the affected line items in the Company's financial statements. An additional column has been presented in the tables below to restate the comparatives as required by IAS 8.

The restatement affects the presentation of the 1 January 2018 retained profits, as detailed in the table below:

	As previously presented 31 Dec 2018 £'000	Restatement 31 Dec 2018 £'000	As restated 31 Dec 2018 £'000	As previously presented 1 Jan 2018 £'000	Restatement 1 Jan 2018 £'000	As restated 1 Jan 2018 £'000
Retained profits	21,243	(673)	20,570	18,015	673	17,342
Total restatement		(673)			(673)	

3. Restatement of comparatives (continued)

The restatement affects the presentation of the current debtors and creditors balance, as detailed in the table below:

	As previously presented 31 Dec 2018 £'000	Restatement 31 Dec 2018 £'000	As restated 31 Dec 2018 £'000
Debtors	21,377	(663)	20,714
Creditors: Amounts falling due within one year	(881)	(10)	(891)
Total restatement		(673)	

4. Revenue

	2019 £'000	2018 £'000
Profit commission on ATE	2,812	7,815
Services revenue	2,230	2,894
Revenue	5,042	10,709

The amounts above represent revenue from contracts with customers for services transferred over time.

5. Directors' emoluments

	2019 £'000	2018 £'000
Directors' remuneration	480	606
Pensions costs	13	10
	493	616

The remuneration of the directors is paid by the directors' employing company within the Burford Group. Where it is considered impractical to allocate time and costs of the directors' services to the Company and if they are immaterial, no remuneration is apportioned to the Company.

The remuneration included above, of the highest paid director was £277,000 (2018: £399,000). The director was not a member of a defined benefit scheme. Retirement benefits are currently accruing to three directors (2018: three) under the Company's defined contribution stakeholder pension plan as described in note 18.

6. Staff numbers and costs

The average number of employees during the year was as follows:

	2019	2018
Business developments and underwriting	15	12
Other	8	5
Asset recovery	18	18
Average number of employees	41	35

The staff costs for the year was as follows:

	2019 £'000	2018 £'000
Wages and salaries	7,499	5,718
Social security costs	496	392
Pension costs	218	149
	8,213	6,259

7. Profit/(Loss) on ordinary activities before taxation

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

	2019 £'000	2018 £'000
Staff costs	8,223	5,603
Depreciation of tangible fixed assets	502	68
Loss on disposal of tangible fixed assets	110	-
Operating lease rentals:	-	-
Office equipment	13	9
Land and buildings	-	203
Fees paid and payable to Ernst & Young LLP:	-	-
Statutory audit	88	96
	8,936	5,979

8. Tax on ordinary activities

	2019 £'000	2018 £'000
Tax on ordinary activities		
Current tax	(610)	767
Adjustment recognised for prior periods	(98)	33
Aggregate tax on ordinary activities	(708)	800
Numerical reconciliation of tax on ordinary activities and tax at the statutory rate		
(Loss)/profit before tax on ordinary activities	(2,933)	4,028
Tax at the statutory tax rate of 19%	(557)	765
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Costs not allowable for tax	4	2
Current year temporary differences	(31)	-
Loss not recognised	(26)	-
	(610)	767
Adjustment recognised for prior periods	(98)	33
Tax on ordinary activities	(708)	800

Balance sheet presentation of deferred tax	2019 £'000	2018 £'000
Opening deferred tax liability	(16)	(30)
Other temporary differences	(151)	14
Closing deferred tax liability	(167)	(16)
Opening deferred tax asset	47	-
Other temporary differences	201	47
Closing deferred tax asset	248	47
Net deferred tax asset	81	31

At 31 December 2019, a reduction in the main rate to 17% as from 1 April 2020 had been enacted in UK law and deferred tax balances were valued with reference to the rate of 17%. On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% from 1 April 2020. On 3 March 2021 the UK Government announced that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change has not yet been substantively enacted. The impact of changes in the tax rates is not expected to be material.

9. Tangible assets

	Leasehold improvements £'000	Computer equipment £'000	Fixtures, fittings and equipment £'000	Right of use of Asset £'000	Total Tangible Assets £'000
Cost					
At 1 January 2019	211	125	113	-	449
Adoption of IFRS 16 - Leases	-	-	-	231	231
Additions	1,225	35	-	2,682	3,942
Disposals	(211)	-	(86)	(231)	(528)
At 31 December 2019	1,225	160	27	2,682	4,094
Depreciation					
At 1 January 2019	75	64	68	-	207
Charge for the year	114	23	20	345	502
Eliminated on disposal	(94)	-	(68)	(86)	(248)
At 31 December 2019	95	87	20	259	461
Net Book Value					
At 31 December 2019	1,130	73	7	2,423	3,633
At 31 December 2018	136	61	45	-	242

10. Investments in subsidiaries

	2019 £'000	2018 Restated £'000
Ordinary shares	73,195	73,195

At 31 December 2019, investments in group undertakings were as follows:

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

11. Intangibles

	Computer Licenses £'000
Cost	
At 1 January 2019	25
Additions	-
At 31 December 2019	25
Amortisation	
At 1 January 2019	15
Charge for the year	7
At 31 December 2019	22
Net Book Value	
At 31 December 2019	3
At 31 December 2018	10

12. *Loan receivable from parent undertaking*

	2019 £'000	2018 Restated £'000
Loan receivable from parent undertaking	5,964	6,148

The loan is repayable on demand and interest is charged at 6 month LIBOR plus 0.15%. The Directors have confirmed that they have no intention of demanding repayments of this debt within 12 months of the date of signing these financial statements.

13. Debtors

	2019 £'000	2018 Restated £'000
Trade debtors	617	5,551
Prepayments and accrued income	113	96
Other debtors	529	260
Amounts owed by parent undertaking	1,442	617
Amounts owed by fellow subsidiary undertaking	6,919	1,380
Amounts owed by fellow Group undertakings	6,132	6,662
	15,752	14,566

14. Creditors: Amounts falling due within one year

	2019 £'000	2018 Restated £'000
Trade payables	83	6
Social security	167	138
Corporation tax	10	190
Amounts owed to fellow Group undertakings	1,136	557
	1,396	891

15. Lease liabilities

	2019 £'000	2018 Restated £'000
At 1 January	-	-
Change in accounting policy - IFRS 16	259	-
Restated at 1 January	259	-
Additions	2,682	-
Disposals	-	-
Interest expense	145	-
Payments of liability during the year	(267)	-
Foreign exchange gain/(loss)	-	-
At 31 December	2,819	-

16. Called up share capital

	2019 Shares	2018 Restated Shares	2019 £'000	2018 Restated £'000
Ordinary shares - Authorised	100	100	-	-
Ordinary shares - allotted, issued and fully paid	2	2	-	-

17. Share premium account

	2019 £'000	2018 Restated £'000
Share premium reserve	73,195	73,195

18. Share-Based Payments

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 £597,000 (2018: £273,000).

The following table summarises the fair values and key assumptions used for valuing grants made under the LTIP:

	2019	2018	2017
Awards granted (number of shares)	75,254	33,994	150,438
Dividend yield (%)	1.0%	1.9%	2.8%
Expected volatility (%)	40.80%	35.6%	25.8%
Risk-free interest rate (%)	0.63%	0.93%	0.15%
Expected life of share awards (years)	3.0	3.0	3.0
Weighted average fair value ($)	15.85	16.72	9.10
Weighted average share price ($)	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.

19. Capital commitments

The Company had no capital commitments as at 31 December 2019 or 31 December 2018.

20. Pension costs

The Company has exclusively operated a defined contribution stakeholder plan with Friends Provident (part of Aviva) since 1 April 2005. The only obligation is a contractual one to contribute a percentage of salary to the individual's stakeholder plan. The associated cost to the Company can be seen in notes 5 and 6 to the accounts.

21. Events after the reporting period

On 30 January 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 ultimate parent has closed its offices and implemented business continuity plans for staff to work from home without noticeable impact on service delivery and operations.

21. Events after the reporting period (continued)

The Company 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 ultimate parent 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. As a result, the impact of this event on the Company is not expected to be material.

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 Company is set out in note 1 on page 16.

On the basis of this analysis the Company has assessed the coronavirus pandemic as a non-adjusting post balance sheet event.

With the exception of these events and considerations, no other post balance sheet events affecting the financial statements or related disclosures have occurred to date.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

22. Related party transactions

The Company has taken advantage of the exemption available in Financial Reporting Standard FRS 101 (IAS 24) 'Related Party Disclosures' from disclosing details of transactions with other wholly owned subsidiaries in the Group. There are no other related party transactions that required to be disclosed.

23. Ultimate parent & controlling party

The immediate parent undertaking at 31 December 2019 was Burford Capital Holdings (UK) Limited, which is incorporated and registered in England & Wales. Copies of their financial statements can be obtained from:

8th Floor, Brettenham House
2-19 Lancaster Place
London
WC2E 7EN

The ultimate parent undertaking at 31 December 2019 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 3RH