



Burford

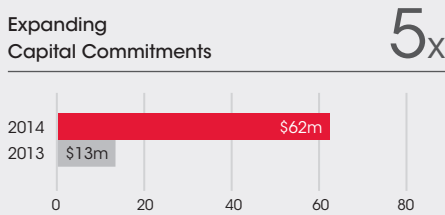
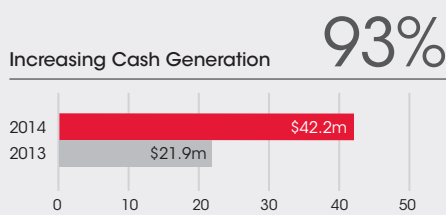
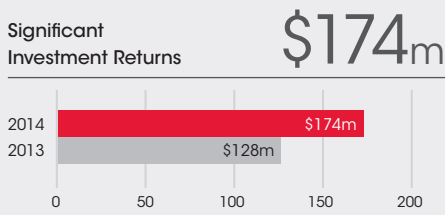
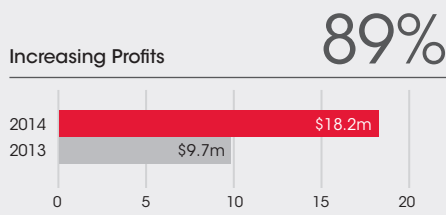
Interim Report 2014

About Burford Capital

Burford Capital is the world's largest provider of investment capital and risk solutions for litigation with the largest and most experienced dedicated team in the industry. Burford is publicly traded on the London Stock Exchange's AIM market under the ticker symbol BUR. Burford provides a broad range of corporate finance and insurance solutions to lawyers and clients engaged in significant litigation and arbitration around the world.

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- An 89% increase in Burford’s profit before tax for the period to \$18.2 million (June 2013: \$9.7 million).*
- Burford’s income for the six months was \$27.4 million, a 40% increase on the prior year (June 2013: \$19.5 million). The increase reflects:
 - an 85% increase in income from the litigation portfolio amid continuing increases in activity levels;
 - UK insurance income steady at \$10.2 million (June 2013: \$10.2 million).
- Continued strong investment returns: Since inception, 26 investments have generated \$174 million in gross investment recoveries and \$67 million net of invested capital, producing a 63% net return on invested capital. This represents a 67% increase, \$27 million, over the net position at 30 June 2013.†
- Material increase in cash generation: Burford generated \$42 million of cash from the investment portfolio in the period, an increase of 93% over the comparable 2013 period.
- Ongoing demand for Burford’s capital reflected in \$62 million of new capital committed in the period, a five-fold increase over the comparable 2013 period.
- Completion of a successful issue of retail bonds on the main market of the London Stock Exchange post period end, raising \$150 million (£90 million) of capital which will be deployed in litigation finance activities.
- Introduction of a semi-annual dividend, with an interim dividend of 1.74¢ to be paid in December.



* Excluding the accounting impact of the Burford UK acquisition, the 2012 Reorganisation and 2013 UK Restructuring costs.

† Investment recoveries is a non-IFRS term defined in footnotes 2 and 3 to the Burford 2013 Annual Report.

Unaudited consolidated condensed financial statements can be found in the following pages and a summary is set out below. The figures for taxation and profit after tax exclude the impact of the Burford UK acquisition, the 2012 Reorganisation and the one-off 2013 UK Restructuring costs and are shown to assist in understanding of the underlying performance of the Company. All other figures presented are derived directly from the unaudited consolidated condensed financial statements.

(US\$'000)	30 June 2014	30 June 2013	% change
Litigation-related investment income	18,721	10,096	85%
Insurance-related income	10,245	10,207	
Other income	(1,591)	(818)	
Total income	27,375	19,485	40%
Operating expenses – corporate and investment	(6,359)	(6,687)	
Operating expenses – insurance	(2,781)	(3,127)	
Profit before tax and the impacts relating to the Burford UK acquisition, the 2012 Reorganisation and 2013 UK Restructuring costs	18,235	9,671	89%
Taxation*	(1,597)	(1,303)	
Profit after tax†	16,638	8,368	99%

* Taxation does not include deferred taxation credit on amortisation of embedded value intangible asset.

† This is profit after tax excluding the impact of the Burford UK acquisition, the 2012 Reorganisation, and 2013 UK Restructuring costs, which are included in the Consolidated Statement of Comprehensive Income on page 07.



After our recent bond issue, Burford is more than twice the size of any other listed litigation finance firm.

We are pleased with the status of our investment portfolio and the vibrancy of the litigation finance marketplace.

In addition to posting strong financial results, this year has thus far seen significant progress towards Burford's long-term strategic objectives.

We have spoken for some time about our desire to move to a more traditional capital structure befitting our status as a specialty finance company and also to have access to more capital to deploy. We achieved both of those objectives with a successful bond issue this summer. In the end, we raised more than \$150 million (£90 million) through an issue of eight year bonds with a fixed 6.5% coupon on the London Stock Exchange's main market. The offering was very well received in the market and was oversubscribed, and we welcome all our new bondholders to the Burford family.

This influx of capital took Burford above the half-billion dollar level in assets, and was a transformative event for the business. With this capital, Burford is more than twice the size of any other listed litigation finance firm. We are hard at work making plans for the deployment of this new capital.

Another step towards Burford adopting a traditional corporate structure is to move to a semi-annual dividend. We will now follow the pattern of many London-listed firms in announcing an interim dividend at the time of the release of our interim results and a final dividend when we release our full year results. To move ourselves onto that cycle, we will pay a further dividend of 1.74¢ (one-third of the amount of our full year 2013 dividend of 5.23¢) in December. As stated at the full year, we continue to believe that a combination of attractive dividend income and the reinvestment of capital will maximise shareholder returns.

We published a comprehensive annual report a few months ago that expanded our disclosure about the business and its performance, and we intend to continue that approach with our next

annual report. In keeping with our historical practice, this interim report is much shorter and addresses itself just to the key developments in the business.

Litigation finance business

The combination of strong demand for capital in the litigation finance business and significant cash receipts from existing investments late last year and this year led us to enter into new commitments of \$62 million in the first half of 2014 – as much as in all of 2013. Those new commitments bring our total commitments presently outstanding to \$281 million (and to \$423 million since inception), in both cases excluding our insurance and lending activities, of which \$104 million has yet to be advanced.

Of particular note was the diversity of that demand, continuing the trend we have discussed before of the expansion of our opportunity set from the basic funding of case expenses to a much broader range of corporate finance solutions related to litigation and arbitration matters.

That trend is well illustrated by our successful transaction with Rurelec PLC, a publicly-traded owner, operator and developer of power generation capacity internationally. (Burford is not usually permitted under the terms of its agreements with its counterparties to make any sort of public announcement or disclosure about individual investments. However, Rurelec's own disclosure obligations and its consent make this exception possible.)

In this case, Rurelec was pursuing an arbitration claim against Bolivia for the expropriation of one of Rurelec's power plants. Rurelec did not need capital to pay its lawyers – what is generally called "litigation funding". Rather, it needed capital to continue to grow its business – but lenders wanted very high interest rates because of the loss of its

Bolivian assets. Unlike a traditional lender, Burford was able to evaluate the value of Rurelec's pending arbitration claim, and thus was able to provide the following facility:

- A fully recourse, secured \$15 million senior loan at a 12% capitalised interest rate
- A contingent value right to receive a portion of the ultimate arbitration award, expressed on a sliding scale based on time and amount

Rurelec then won its claim, extracted payment from Bolivia, and paid off Burford.

The Rurelec transaction was profitable for Burford, which earned an \$11 million net profit on a \$15 million investment, generating a 73% return and a 34% IRR. However, what is truly noteworthy about this transaction is its innovative structure and its demonstration of the expanding market potential for litigation finance.

The public disclosure of this transaction also allows us to indicate the kind of law firms with which Burford often deals. Rurelec was represented by Freshfields Bruckhaus Deringer in the arbitration proceeding and by Skadden, Arps, Slate, Meagher & Flom in the financing transaction. Burford performed its own internal evaluation of the arbitration claim with its own experienced team, and was represented by Latham & Watkins in the financing transaction.

Long-time readers of our statements will note that we have not included in these accounts the segmentation of our portfolio into "short duration", "core" and "special situations". We have elected to discontinue the use of these labels and will instead begin providing actual information about portfolio duration, which is essentially what those labels were trying to approximate. In the Burford of today, we provide financing along a continuum of risk and duration and thereby build a widely diversified portfolio, and we had some time ago stopped using those labels internally.

At 30 June 2014, the investment portfolio stands at total commitments of \$281 million across 40 investments, with 26 further investments having concluded for total commitments since inception of \$423 million. Those numbers do not include the insurance and lending commitments that we have historically reported as "Other" in our commitments summary. The weighted average

duration of our concluded investments is presently 1.9 years. (That is probably somewhat lower than it should be given the impact of a single large and extremely rapid investment in 2010; removing that investment would take the number to 2.1 years for concluded investments.) The current weighted average duration of the outstanding investment portfolio is, coincidentally, also 1.9 years.

Duration is not everything, of course. Our portfolio includes – deliberately – some matters as to which we expect quite long durations. However, we have in those matters negotiated time-based or other returns that make us entirely content with their longer expected duration.

Finally, we have discussed before the accounting imperative of fair valuing our investments before they have concluded, and we have continued to comply with IFRS by engaging in such valuation changes, albeit at a very moderate level. At 30 June 2014, our litigation assets on the balance sheet included only \$41.5 million of unrealised gain, approximately 11% of our total asset value and less than 20% of the balance sheet value of our litigation investment portfolio. We do not use these write-ups as a way of expressing our prediction about the ultimate outcome of investments. We do want to point out to readers of our financial statements the treatment of unrealised fair values under IFRS. When an investment that had some unrealised fair value gain added to its value in a prior accounting period concludes, the previously recognised unrealised gain is actually reversed and reclassified as a realised gain. Thus, a period with low or even negative movement in unrealised fair value movements could well be the impact of this IFRS approach.

Overall, we are well pleased with the status of our investment portfolio and the vibrancy of the litigation finance marketplace.

UK insurance business

For a business that was supposed to be already in decline, our insurance business is performing well. Its financial performance did not in fact decline year-on-year but remained steady, contributing another \$7.5 million in operating profit to Burford's bottom line in the first half of 2014. We are now well past the point of having the entire purchase price of the business repaid from earnings, so every dollar of this is incremental profit.

Moreover, we are seeing some signs of life in the demand for new insurance coverage. While after the event insurance may have lost the straightforward marketing proposition of being "free" to buyers (because in the pre-Jackson world a win would result in the defendant paying the plaintiff's premium and a loss would result in the insurer paying the claim), the fact remains that in a fee-shifting environment such as exists in English litigation, there will always be categories of plaintiffs who cannot or chose not to bear the risk of an adverse costs award against them and seek insurance against that risk. As a result, while still small compared to historical levels, we are seeing increasing demand for coverage as 2014 develops.

It remains too early to tell what even the medium term future holds, and we will continue to watch, wait and write sensible business. We are declining to follow some of our competitors, who in their attempt to retain volume are reducing prices and writing new policies at premium levels we consider inevitably loss-making. In the meantime, we have seen a sharp uptick in demand for our UK litigation finance products.

Burford has grown to the point where some degree of staff turnover is inevitable. In June, with a seamless transition, we said good-bye to Andrew Langhoff as our Chief Operating Officer and welcomed Jeremy Garber into that role. Continuing our desire to integrate law and finance, Jeremy comes to Burford not only with a law degree but more than two decades of experience in the financial services world, most recently as the COO of TrilogyLWP, a credit-focused hedge fund, and before that as the COO of Longacre Fund Management, a distressed debt and special situations equities hedge fund manager.

We were also happy to welcome to Burford a new Managing Director, Nick Rowles-Davies, who is based in London and runs our market-facing activities in the UK. Nick, an experienced solicitor, represents one of the first executive moves within the litigation finance industry; he most recently performed a similar role for Vannin Capital, a UK-focused family office-backed litigation funder.

We are pleased with Burford's significant progress thus far in 2014 and its longer-term strides towards corporate maturity.

We thank our shareholders – and our new bondholders – for their continued support for Burford.

Sir Peter Middleton GCB
Chairman

Christopher Bogart
Chief Executive Officer

Jonathan Molot
Chief Investment Officer

3 September 2014

Introduction

We have been engaged by Burford Capital Limited to review the condensed set of financial statements in the Interim Report for the six months ended 30 June 2014 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 20. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting". As disclosed in note 1, the annual financial statements of the Company will be prepared in accordance with IFRS. The condensed set of financial statements included in this Interim Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Ernst & Young LLP

Guernsey, Channel Islands

3 September 2014

Notes:

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

for the period ended 30 June 2014

	Notes	1 January 2014 to 30 June 2014 \$'000	1 January 2013 30 June 2013 \$'000
Income			
Net gains on litigation-related investments	10	13,574	6,749
Interest and other income from litigation-related activities	11	5,147	3,347
Insurance-related income		10,245	10,207
Net losses on cash management investments at fair value through profit or loss	8	(1,621)	(403)
Net losses on foreign exchange		(7)	(415)
Bank interest income		37	-
Total income		27,375	19,485
Operating expenses		(9,140)	(9,814)
Profit before tax and the impacts relating to the Burford UK acquisition, the 2012 Reorganisation and UK Restructuring costs		18,235	9,671
Non-cash, non-NAV charge associated with the 2012 Reorganisation	6	-	(26,539)
Reorganisation advisory fees		-	(619)
UK Restructuring costs		-	(1,148)
Amortisation of embedded value intangible asset arising on Burford UK acquisition	5	(5,870)	(5,927)
Profit/(loss) for the period before taxation		12,365	(24,562)
Taxation	4	(1,597)	(1,303)
Deferred tax credit on amortisation of embedded value intangible asset	4	1,467	1,482
Total taxation		(130)	179
Profit/(loss) for the period after taxation		12,235	(24,383)
Attributable to contingent preference shares		600	-
Attributable to ordinary shareholders		11,635	(24,383)
		12,235	(24,383)
Other comprehensive income			
Exchange differences on translation of foreign operations on consolidation		958	(2,040)
Total comprehensive income for the period		13,193	(26,423)
Attributable to contingent preference shares		600	-
Attributable to ordinary shareholders		12,593	(26,423)
		Cents	Cents
Basic and diluted profit per ordinary share	16	5.69	(11.92)
Basic and diluted comprehensive income per ordinary share	16	6.16	(12.92)

The notes on pages 11 to 24 form an integral part of these consolidated financial statements.

as at 30 June 2014

	Notes	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Assets				
Non-current assets				
Embedded value intangible asset	5	4,124	9,771	13,956
Tangible fixed assets		498	504	463
Litigation-related investments	10	219,292	214,873	161,226
Litigation portfolio financing	9	-	-	30,000
Due from settlement of litigation-related investments	11	43,105	41,430	42,406
Deferred tax asset	4	695	695	-
		267,714	267,273	248,051
Current assets				
Cash management investments at fair value through profit or loss	8	62,005	26,147	40,979
Due from settlement of litigation-related investments	11	6,189	9,469	5,886
Receivables and prepayments	12	10,097	15,526	11,496
Cash and cash equivalents		15,337	57,667	27,263
		93,628	108,809	85,624
Total assets		361,342	376,082	333,675
Liabilities				
Current liabilities				
Litigation-related investments payable		1,309	15,639	-
Payables	13	3,249	4,711	6,795
Tax payable		2,677	1,994	1,269
		7,235	22,344	8,064
Non-current liabilities				
Deferred tax payable	4	808	2,227	3,312
Total liabilities		8,043	24,571	11,376
Total net assets		353,299	351,511	322,299
Represented by:				
Ordinary share capital	14	328,749	328,749	328,749
Revenue reserve		23,359	22,422	(6,450)
Other reserves		1,297	339	-
Total equity attributable to ordinary shareholders		353,405	351,510	322,299
Equity attributable to contingent preference shares	15	(106)	1	-
Total equity shareholders' funds		353,299	351,511	322,299

The notes on pages 11 to 24 form an integral part of these consolidated financial statements.

The financial statements on pages 07 to 24 were approved by the Board of Directors on 3 September 2014 and were signed on its behalf by:

Charles Parkinson
Director

3 September 2014

for the period ended 30 June 2014

	1 January 2014 to 30 June 2014 \$'000	1 January 2013 30 June 2013* \$'000
Cash flows from operating activities		
Profit/(loss) for the year before tax	12,365	(24,562)
Adjusted for:		
Fair value change on cash management investments at fair value through profit or loss	1,978	1,596
Fair value change on litigation-related investments	(311)	(6,601)
Realised gains on disposal of cash management investments at fair value through profit or loss	(319)	(902)
Realised gains on realisation of litigation-related investments	(13,242)	(148)
Interest and other income from litigation-related activities	(5,147)	(3,347)
Non-cash, non-NAV charge associated with the 2012 Reorganisation	-	26,539
Amortisation of embedded value intangible asset	5,870	5,927
Depreciation of tangible fixed assets	106	163
Effect of exchange rate changes	(140)	(902)
	1,160	(2,237)
Changes in working capital		
Decrease in receivables	2,521	2,837
(Decrease) in payables	(1,806)	(89)
Taxation paid	(790)	(1,537)
Net (purchases)/disposals of cash management investments at fair value through profit or loss	(37,417)	9,117
Funding of litigation-related investments	(37,217)	(20,310)
Proceeds from litigation-related investments	42,155	21,877
Proceeds from litigation portfolio financing	-	2,047
Net cash (outflow)/inflow from operating activities	(31,394)	11,705
Cash flows from financing activities		
Dividend paid	(10,698)	(9,925)
Dividend paid – preference shares	(689)	-
Preference share issue costs	(18)	-
Net cash outflow from financing activities	(11,405)	(9,925)
Cash flows from investing activities		
Purchases of tangible fixed assets	(94)	(76)
Net cash outflow from investing activities	(94)	(76)
Net (decrease)/increase in cash and cash equivalents	(42,893)	1,704
Reconciliation of net cash flow to movements in cash and cash equivalents		
Cash and cash equivalents at beginning of period	57,667	25,559
(Decrease)/increase in cash and cash equivalents	(42,893)	1,704
Effect of exchange rate changes on cash and cash equivalents	563	-
Cash and cash equivalents at end of period	15,337	27,263
	1 January 2014 to 30 June 2014 \$'000	1 January 2013 30 June 2013 \$'000
Supplemental Disclosure		
Cash received from interest income	5,153	2,282

The notes on pages 11 to 24 form an integral part of these consolidated financial statements.

* Reclassifications to comparative information have been made in accordance with IAS 1 paragraph 38, in order to provide more relevant information

for the period ended 30 June 2014

30 June 2014

	Share capital \$'000	Revenue reserve \$'000	Foreign currency consolidation reserve \$'000	Equity attributable to ordinary shareholders \$'000	Contingent preference shares \$'000	Total \$'000
At 1 January 2014	328,749	22,422	339	351,510	1	351,511
Profit for the year	-	11,635	-	11,635	600	12,235
Other comprehensive income	-	-	958	958	-	958
Dividends paid	-	(10,698)	-	(10,698)	(689)	(11,387)
Contingent preference shares	-	-	-	-	(18)	(18)
Balance at 30 June 2014	328,749	23,359	1,297	353,405	(106)	353,299

30 June 2013

	Share capital \$'000	Revenue reserve \$'000	Foreign currency consolidation reserve \$'000	Equity attributable to ordinary shareholders \$'000	Contingent preference shares \$'000	Total \$'000
At 1 January 2013	302,210	29,771	127	332,108	-	332,108
Loss for the period	-	(24,383)	-	(24,383)	-	(24,383)
Other comprehensive income	-	-	(2,040)	(2,040)	-	(2,040)
Dividends paid	-	(9,925)	-	(9,925)	-	(9,925)
Issue of share capital	26,539	-	-	26,539	-	26,539
Balance at 30 June 2013	328,749	(4,537)	(1,913)	322,299	-	322,299

The notes on pages 11 to 24 form an integral part of these consolidated financial statements.

1 Legal form and principal activity

Burford Capital Limited (the "Company") and its subsidiaries (the "Subsidiaries") (together the "Group") provide investment capital, financing and risk solutions with a focus on the litigation and arbitration sector and the provision of litigation expense insurance.

The Company was incorporated under The Companies (Guernsey) Law, 2008 (the "Law") on 11 September 2009. Shares in the Company were admitted to trading on AIM, a market operated by the London Stock Exchange, on 21 October 2009.

These financial statements cover the period from 1 January 2014 to 30 June 2014.

2 Principal accounting policies

These consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and using the going concern basis of preparation. These financial statements do not contain all the information and disclosures as presented in the annual financial statements. The consolidated condensed interim financial statements are presented in United States Dollars, and are rounded to the nearest \$'000 unless otherwise indicated.

New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

Several new standards and amendments apply for the first time in 2014, including:

	Effective date
IAS 32: Financial instruments presentation:	
Offsetting financial assets and financial liabilities	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities	1 January 2014

No material change is expected to result from the implementation of the above standards.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Burford Capital Limited and the Subsidiaries. All the Subsidiaries are consolidated in full from the date of acquisition.

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

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

3 Material agreements

During 2014 there were not any material agreements in place between Group entities and third parties. The administration agreement with International Administration Group (Guernsey) Limited was amended, effective 1 January 2014, with responsibilities for maintaining the Group's accounting records now being transferred to the Group's internal finance function.

4 Taxation

The Company is exempt from tax in Guernsey. In certain cases, a subsidiary of the Company may elect to make use of investment structures that are subject to income tax in a country related to the investment. Burford UK and its subsidiaries are subject to UK taxation based on profits and income for the period as determined in accordance with relevant tax legislation. Certain Burford US subsidiaries are subject to US taxation as determined in accordance with relevant tax legislation.

The taxation charge for the period ended 30 June 2014 of \$1,597,000 (30 June 2013: \$1,303,000) includes Burford UK's current taxation of \$1,563,000 (30 June 2013: \$1,225,000) and US subsidiaries' current taxation of \$34,000 (30 June 2013: \$78,000).

During the period ending 30 June 2014, the Group also has a deferred taxation credit of \$1,467,000 (2013: \$1,482,000) relating to the amortisation of the embedded value intangible asset.

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Deferred tax asset			
At 1 January	695	-	-
Movement on UK deferred tax - temporary differences	-	12	-
Unused tax losses in US	-	683	-
At end of period	695	695	-

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Deferred tax liability			
At 1 January	2,227	5,087	5,087
Tax released on amortisation of embedded value intangible asset	(1,467)	(2,795)	(1,482)
Movement on UK deferred tax - temporary differences	-	(23)	21
Foreign exchange translation differences	48	(42)	(314)
At end of period	808	2,227	3,312

5 Embedded value intangible asset

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
At 1 January	9,771	21,196	21,196
Amortisation	(5,870)	(11,179)	(5,927)
Foreign exchange translation differences	223	(246)	(1,313)
At end of period	4,124	9,771	13,956

Burford UK was acquired on 29 February 2012. The intangible asset represents the value of Burford UK's book of business at the date of acquisition, and is being amortised in accordance with the expected maturity of the business.

6 Non-cash, non-NAV charge associated with the 2012 Reorganisation

On 21 November 2012, the Company entered into a reorganisation transaction (the "2012 Reorganisation") the ultimate effect of which was to internalise the management of the Company and acquire the Investment Adviser. The consideration for the acquisition was 24,545,454 shares of the Company's stock. The Reorganisation was completed on 12 December 2012, and the Company issued the aforementioned shares on that date to the Investment Adviser's principals, Christopher Bogart and Jonathan Molot. As a result of the Reorganisation, the Group has, inter alia, become the owner of Burford Capital LLC, the US operating entity that employs what are now the Group's US employees and which has built a substantial market leading position in the litigation finance market, and the Company is also no longer obliged to make payments of management and performance fees to the Investment Adviser.

The legal form of the Reorganisation transaction was a reverse triangular merger pursuant to section 351 of the US Internal Revenue Code whereby the Company created a subsidiary that merged with and into the Investment Adviser in a reverse subsidiary merger, and all of the equity interests in the surviving entity (Burford Capital LLC) were issued to the Company, which in turn issued the aforementioned shares which were then transferred to Messrs. Bogart and Molot. As a result and as disclosed in the Company's November 2012 RNS announcement, Messrs. Bogart and Molot became owners of those shares immediately and unconditionally, although the shares are subject to a two year lock-up period.

From a corporate law and corporate structure perspective, the Reorganisation is a sale of a business for stock and does not contain any employment component (in that Messrs. Bogart and Molot were employees of Burford Capital LLC both before and after the Reorganisation), and the transaction was entirely concluded within 2012. However, because Messrs. Bogart & Molot are continuing as employees of Burford Capital LLC, IFRS treats the Reorganisation as falling under both IFRS 2 and IFRS 3, notwithstanding the potential for inconsistency between the actual legal form of the transaction and the accounting treatment. This accounting position was solidified in January 2013 (with retroactive effect) following release of general guidance by the IFRS Interpretations Committee.

Thus, for accounting purposes only, the Company has determined a fair value for the Reorganisation transaction by using the implied market value of the shares issued based on their bid price converted to US dollars and without considering their illiquidity or certain contractual restrictions on their transfer, yielding total consideration of \$38,373,111. Of that amount, \$518,534 relating to tangible assets acquired and a non-cash charge computed pursuant to IFRS 3 of \$11,315,080 reflecting the internalisation referred to above were recognised in the Group's 2012 Annual Report.

In February 2013, the accounting review of the application of IFRS 2 (as influenced by the IFRS Interpretations Committee's January 2013 action) reached the conclusion that the remaining \$26,539,497 in deemed value would be appropriately recognised as a non-cash charge to income (with a corresponding increase in equity thus having no NAV impact) over a three year period in light of certain pre-existing provisions in the principals' employment arrangements for liquidated damages in the event of employment termination. The Company took the view that sustained recognition of non-cash charges of this sort was not advisable and thus, with the consent of the principals, eliminated those provisions nunc pro tunc, following which the appropriate IFRS 2 treatment was determined to be the full recognition of the remaining deemed value in 2013.

7 Segmental information

Management consider that there are two operating business segments, being (i) provision of litigation investment (reflecting litigation and arbitration-related investment activities anywhere in the world) and (ii) provision of litigation insurance (reflecting UK litigation insurance activities).

Segment revenue and results

30 June 2014

	Litigation Investment \$'000	Litigation Insurance \$'000	Other corporate activity \$'000	Total \$'000
Income	18,721	10,245	(1,591)	27,375
Operating expenses	(4,996)	(2,781)	(1,363)	(9,140)
Amortisation of embedded value intangible asset	-	-	(5,870)	(5,870)
Profit for the period before taxation	13,725	7,464	(8,824)	12,365
Current taxation	(34)	(1,563)	-	(1,597)
Deferred tax credit	-	-	1,467	1,467
Other comprehensive income	-	-	958	958
Total comprehensive income	13,691	5,901	(6,399)	13,193

30 June 2013

	Litigation Investment \$'000	Litigation Insurance \$'000	Other corporate activity \$'000	Total \$'000
Income	10,096	10,207	(818)	19,485
Operating expenses	(4,761)	(3,127)	(1,926)	(9,814)
Non-cash, non-NAV charge associated with the 2012 Reorganisation	-	-	(26,539)	(26,539)
Reorganisation advisory fees	-	-	(619)	(619)
UK Restructuring costs	-	(1,148)	-	(1,148)
Amortisation of embedded value intangible asset	-	-	(5,927)	(5,927)
Profit for the period before taxation	5,335	5,932	(35,829)	(24,562)
Current taxation	-	(1,225)	(78)	(1,303)
Deferred tax credit	-	-	1,482	1,482
Other comprehensive income	-	-	(2,040)	(2,040)
Total comprehensive income	5,335	4,707	(36,465)	(26,423)

7 Segmental information continued

Segment assets

30 June 2014

	Litigation Investment \$'000	Litigation Insurance \$'000	Other corporate activity \$'000	Total \$'000
Non-current assets				
Embedded value intangible asset	-	-	4,124	4,124
Tangible fixed assets	-	177	321	498
Litigation-related investments	219,292	-	-	219,292
Due from settlement of litigation-related investments	43,105	-	-	43,105
Deferred tax asset	683	12	-	695
	263,080	189	4,445	267,714
Current assets				
Cash management investments at fair value through profit or loss	-	-	62,005	62,005
Due from settlement of litigation-related investments	6,189	-	-	6,189
Receivables and prepayments	25	9,853	219	10,097
Cash and cash equivalents	2,386	7,508	5,443	15,337
	8,600	17,361	67,667	93,628
Total assets	271,680	17,550	72,112	361,342
Current liabilities				
Litigation-related investments payable	1,309	-	-	1,309
Payables	1,429	1,001	819	3,249
Taxation payable	-	2,677	-	2,677
	2,738	3,678	819	7,235
Non-current liabilities				
Deferred taxation payable	-	-	808	808
	-	-	808	808
Total liabilities	2,738	3,678	1,627	8,043
Total net assets	268,942	13,872	70,485	353,299

7 Segmental information continued

31 December 2013

	Litigation Investment \$'000	Litigation Insurance \$'000	Other corporate activity \$'000	Total \$'000
Non-current assets				
Embedded value intangible asset	-	-	9,771	9,771
Tangible fixed assets	-	132	372	504
Litigation-related Investments	214,873	-	-	214,873
Due from settlement of litigation-related investments	41,430	-	-	41,430
Deferred tax asset	683	12	-	695
	256,986	144	10,143	267,273
Current assets				
Cash management investments at fair value through profit or loss	-	-	26,147	26,147
Due from settlement of litigation-related investments	9,469	-	-	9,469
Receivables and prepayments	3,370	11,955	201	15,526
Cash and cash equivalents	28,957	16,931	11,779	57,667
	41,796	28,886	38,127	108,809
Total assets	298,782	29,030	48,270	376,082
Current liabilities				
Litigation-related investments payable	15,639	-	-	15,639
Payables	1,979	1,044	1,688	4,711
Taxation payable	40	1,954	-	1,994
	17,658	2,998	1,688	22,344
Non-current liabilities				
Deferred taxation payable	-	-	2,227	2,227
	-	-	2,227	2,227
Total liabilities	17,658	2,998	3,915	24,571
Total net assets	281,124	26,032	44,355	351,511

7 Segmental information continued

30 June 2013

	Litigation Investment \$'000	Litigation Insurance \$'000	Other corporate activity \$'000	Total \$'000
Non-current assets				
Embedded value intangible asset	-	-	13,956	13,956
Tangible fixed assets	-	109	354	463
Litigation-related Investments	161,226	-	-	161,226
Litigation portfolio financing	30,000	-	-	30,000
Due from settlement of litigation-related investments	42,406	-	-	42,406
	233,632	109	14,310	248,051
Current assets				
Cash management investments at fair value through profit or loss	-	-	40,979	40,979
Due from settlement of litigation-related investments	5,886	-	-	5,886
Receivables and prepayments	2,097	9,212	187	11,496
Cash and cash equivalents	15,352	11,715	196	27,263
	23,335	20,927	41,362	85,624
Total assets	256,967	21,036	55,672	333,675
Current liabilities				
Payables	4,517	1,664	614	6,795
Taxation payable	-	1,269	-	1,269
	4,517	2,933	614	8,064
Non-current liabilities				
Deferred taxation payable	-	21	3,291	3,312
	-	21	3,291	3,312
Total liabilities	4,517	2,954	3,905	11,376
Total net assets	252,450	18,082	51,767	322,299

8 Cash management investments at fair value through profit or loss

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Listed corporate bond funds	–	2,169	9,458
Listed fixed income and investment funds, including mutual funds	43,729	–	–
Unlisted fixed income and investment funds, including mutual funds	18,276	23,978	31,521
Total cash management investments at fair value through profit or loss	62,005	26,147	40,979

Reconciliation of movements:

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
At 1 January	26,147	50,790	50,790
Purchases	97,107	46,315	17,883
Proceeds on disposal	(59,590)	(71,204)	(27,000)
Realised gains on disposal	319	2,880	902
Fair value change in period	(1,978)	(2,634)	(1,596)
At end of period	62,005	26,147	40,979

During the period ended 30 June 2014, the bulk of the cash management investments at fair value through profit or loss were in fixed income and investment funds.

Net changes in cash management investments at fair value through profit or loss:

	30 June 2014 \$'000	30 June 2013 \$'000
Realised gains (including dividend income)	357	1,193
Fair value movement	(1,978)	(1,596)
Net (losses)	(1,621)	(403)

9 Litigation portfolio financing

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Total litigation portfolio financing	–	–	30,000
Interest and other income from litigation portfolio financing	–	3,405	2,047

The litigation portfolio financing balance was measured at amortised cost and attracted interest at 13.5% per annum, payable monthly. The asset had a maturity date of 31 July 2016, with repayments due to commence on 31 January 2014, but was repaid early in full on 3 October 2013. An early repayment fee of \$300,000 was also received in addition to monthly interest payments up to the date of repayment. The interest income from litigation financing assets was included in "Interest and other income from litigation-related activities" in the Consolidated Statement of Comprehensive Income.

10 Litigation-related investments at fair value through profit or loss

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Balance at fair value as at 1 January	214,873	159,749	159,749
Additions	22,900	62,420	22,215
Realisations	(32,153)	(37,472)	(26,051)
Net realised gain/(loss) for period	13,242	6,482	(1,185)
Fair value movement (net of transfers to realisations)	311	23,583	6,601
Foreign exchange gain/(loss)	119	111	(103)
Balance at fair value as at end of period	219,292	214,873	161,226

The net gains on litigation-related investments included at fair value through profit or loss included on the face of the Consolidated Statement of Comprehensive Income comprise:

	30 June 2014 \$'000	30 June 2013 \$'000
Net realised gains/(losses) on litigation-related investments at fair value through profit or loss (above)	13,242	(1,185)
Fair value movement (net of transfers to realisations) (above)	311	6,601
Net decrease in liability for investment sub-participations	21	1,333
Net gains on litigation-related investments at fair value through profit or loss	13,574	6,749

11 Due from settlement of litigation-related investments

Amounts due from settlement of litigation-related investments relate to the recovery of litigation-related investments that have successfully concluded and where there is no longer any litigation risk remaining. The settlement terms and duration vary by investment. The carrying value of these assets approximates the fair value of the assets at the balance sheet date.

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Due from settlement of litigation-related investments			
At 1 January	50,899	43,840	43,840
Transfer of realisations from litigation-related investments (Note 10)	32,153	37,472	26,051
Interest income on due from settlement of litigation-related investments	2,610	1,239	278
Proceeds from settled litigation-related investments	(36,328)	(31,338)	(21,809)
Proceeds from interest income on due from settlement of litigation-related investments	(40)	(314)	(68)
At end of period	49,294	50,899	48,292
Split:			
Non-current assets	43,105	41,430	42,406
Current assets	6,189	9,469	5,886
	49,294	50,899	48,292

11 Due from settlement of litigation-related investments continued

The interest and other income on litigation-related activities on the face of the Consolidated Statement of Comprehensive Income comprise:

	30 June 2014 \$'000	30 June 2013 \$'000
Interest and other income on litigation portfolio financing (Note 9)	-	2,047
Interest income on due from settlement of litigation-related investments (above)	2,610	278
Interest and other income from continuing litigation-related investments	2,537	1,022
Net gains on litigation-related investments at fair value through profit or loss	5,147	3,347

12 Receivables and prepayments

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Trade receivable – insurance segment	9,825	11,880	8,890
Interest receivable from continuing litigation-related investments	25	3,297	2,010
Prepayments	58	161	176
Other debtors	189	188	420
	10,097	15,526	11,496

13 Payables

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Audit fee payable	445	319	169
Reorganisation advisory fees payable	-	422	500
General expenses payable	1,737	1,976	1,508
UK Restructuring	-	242	1,010
Claim costs payable	-	643	2,050
Investment sub-participations	1,067	1,109	1,558
	3,249	4,711	6,795

14 Share capital

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
Authorised share capital	-	-	-
Unlimited ordinary shares of no par value	-	-	-

14 Share capital continued

Issued share capital	Number	Number	Number
Ordinary shares of no par value	204,545,455	204,545,455	204,545,455

80,000,001 ordinary shares were issued at 100p each on 21 October 2009. A further 100,000,000 ordinary shares were issued at 110p each on 9 December 2010. As detailed in Note 6, a further 24,545,454 shares were issued on 12 December 2012.

	30 June 2014 \$'000	31 December 2013 \$'000	30 June 2013 \$'000
At 1 January	328,749	302,210	302,210
Shares issued in 2012 Reorganisation (Note 6)	-	26,539	26,539
At end of period	328,749	328,749	328,749

15 Contingent preference shares

The Group, through a 100% owned direct subsidiary listed on the Channel Islands Stock Exchange, BC Capital Limited, listed 400 units (contingent preference shares) with a nominal value of \$100,000 each (the Units) at an issue price of \$3,000 per Unit, each representing on issue 10 'A' preference shares and zero 'B' preference shares (together, the Preference Shares), on 5 December 2013. Prior to the fifth anniversary of issue, the Group has the right to make capital calls in multiples of \$10,000 per unit up to a maximum of \$100,000 per unit, or \$40,000,000 in aggregate, which will oblige the unitholder to pay the amount called within one month and an 'A' preference share will convert into a 'B' preference share for each \$10,000 paid. 'A' preference shares, subject to Board approval, accrue a 3% dividend. 'B' preference shares, subject to Board approval, accrue dividends at a rate of 30 day LIBOR + 700 basis points. The Group has the right to redeem all the outstanding 'A' preference shares for an amount representing unpaid dividend rights and to redeem some or all of the 'B' preference shares for \$10,000 each plus any unpaid accumulated dividend.

	30 June 2014 \$'000	31 December 2013 \$'000
Issued contingent preference shares		
400 contingent preference share units at \$100,000 nominal value per unit	40,000	40,000

	30 June 2014 \$'000	31 December 2013 \$'000
Contingent preference shares		
At 1 January	1	-
Attributable profit for the period	600	89
Dividends paid	(689)	-
Contingent preference shares issued	-	1,200
Share issue costs	(18)	(1,288)
At end of period	(106)	1

16 Profit per ordinary share and comprehensive income per ordinary share

Profit per ordinary share is calculated based on a profit attributable to ordinary shareholders for the period of \$11,635,000 (30 June 2013: loss of \$24,383,000) and the weighted average number of ordinary shares in issue for the period of 204,545,455 (30 June 2013: 204,545,455). Comprehensive income per ordinary share is calculated based on comprehensive income attributable to ordinary shareholders for the period of \$12,593,000 (30 June 2013: loss of \$26,423,000) and the weighted average number of ordinary shares in issue for the period of 204,545,455 (30 June 2013: 204,545,455).

17 Financial commitments and contingent liabilities

As a normal part of its business, the Group routinely enters into some investment agreements that oblige the Group to make continuing investments over time, whereas other agreements provide for the immediate funding of the total investment commitment. The terms of the former type of investment agreements vary widely; in some cases, the Group has broad discretion as to each incremental funding of a continuing investment, and in others, the Group has little discretion and would suffer punitive consequences were it to fail to provide incremental funding.

The Group's funding obligations are capped at a fixed amount in its agreements. At 30 June 2014, the Group had outstanding commitments for \$104 million (31 December 2013: \$63 million; 30 June 2013: \$68 million). Of the \$104 million in commitments, the Group expects less than 50% to be sought from it during the next twelve months.

18 Fair value of assets and liabilities

The financial assets measured at fair value are disclosed using a fair value hierarchy that reflects the market price observability of the inputs used in making the fair value measurements, as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities;
- Level 2 Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3 Those inputs for the asset or liability that are not based on observable market data (unobservable inputs). The inputs into determination of fair value require significant management judgement and estimation.

Valuation Methodology

Financial assets and financial liabilities measured at fair value continue to be valued using the techniques set out in the accounting policies used in the 2013 Annual Report.

Fair Value Hierarchy

30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Litigation-related Investments	-	-	219,292	219,292
Cash Management Investments at fair value through profit or loss:				
Unlisted fixed income and investment funds	-	18,276	-	18,276
Listed fixed income and investment funds	43,729	-	-	43,729
Total	43,729	18,276	219,292	281,297

18 Fair value of assets and liabilities continued

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2013				
Litigation-related Investments	-	-	214,873	214,873
Cash Management Investments at fair value through profit or loss:				
Unlisted fixed income and investment funds	-	23,978	-	23,978
Listed corporate bond funds	2,169	-	-	2,169
Total	2,169	23,978	214,873	241,020
30 June 2013				
Litigation-related Investments	-	-	161,226	161,226
Cash Management Investments at fair value through profit or loss:				
Unlisted fixed income and investment funds	-	31,521	-	31,521
Listed corporate bond funds	9,458	-	-	9,458
Total	9,458	31,521	161,226	202,205

Movements in level 3 fair value assets

The table below provides analysis movements in the level 3 financial assets.

	Litigation-related investments \$'000	Total level 3 assets \$'000
At 1 January 2014	214,873	214,873
Additions	22,900	22,900
Realisations	(32,153)	(32,153)
Net gains on litigation-related investments recognised in the Income Statement	13,553	13,553
Exchange adjustment	119	119
At 30 June 2014	219,292	219,292

Sensitivity of level 3 valuations

Following investment, the Group engages in a semi-annual review of each investment's fair value.

At 30 June 2014, should the value of investments have been 10% higher or lower than provided for in the Group's fair value estimation, while all other variables remained constant, the Group's income and net assets would have increased and decreased respectively by \$21,929,000.

Reasonably possible alternative assumptions

The determination of fair value of litigation-related investments involves significant judgments and estimates. Whilst the potential range of outcomes for the investments is wide, the Group's fair value estimation is its best assessment of the current fair value of each investment. That estimate is inherently subjective being based largely on an assessment of how individual events have changed the possible outcomes of the investment and their relative probabilities and hence the extent to which the fair value has altered. The aggregate of the fair values selected falls within a wide range of reasonably possible estimates. In the Group's opinion there is no useful alternative valuation that would better quantify the market risk inherent in the portfolio and there are no inputs or variables to which the values of the investments are correlated.

19 Related party transactions

Directors' fees paid in the period amounted to \$196,000 (30 June 2013: \$175,000). There were no directors' fees outstanding at 30 June 2014, 31 December 2013 or 30 June 2013.

There is no controlling party.

20 Subsequent events

On 19 August 2014 the Group, through a 100% owned subsidiary, Burford Capital PLC, issued retail bonds to the value of \$153,873,000 (\$90,000,000). The bonds are listed on the London Stock Exchange's Order Book for Retail Bonds. The bonds will mature on 19 August 2022, and pay a fixed rate of interest of 6.5%.

Directors

Sir Peter Middleton (Chairman)
Hugh Steven Wilson (Vice Chairman)
Charles Nigel Kennedy Parkinson
David Charles Lowe

Registered office

Regency Court
Glatigny Esplanade
St Peter Port
Guernsey GY1 1WW

Advisers to the Company on US and English law

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

Nominated Adviser and Joint Broker

Macquarie Capital (Europe) Limited
Ropemaker Place
28 Ropemaker Street
London EC2Y 9HD

Joint Brokers

Espirito Santo Investment Bank
10 Paternoster Square
3rd Floor
London EC4M 7AL

RBC Capital Markets

Riverbank House
2 Swan Lane
London EC4R 3BF

Administrator and Company Secretary

International Administration Group (Guernsey)
Limited
PO Box 282
Regency Court
Glatigny Esplanade
St Peter Port
Guernsey GY1 3RH

Registrar

Computureshare Investor Services
(Guernsey) limited
3rd Floor, Nat West House
Le Truchot
St Peter Port
Guernsey GY1 1WD

Advisers to the Company on Guernsey law

Ogier
Ogier House
St Julian's Avenue
St Peter Port
Guernsey GY1 1WA

Independent Auditors

Ernst & Young LLP
PO Box 9
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

www.burfordcapital.com