

ROBUST AND RESILIENT



THE CREDIT YOU DESERVE



Full Year Results to January 2021



## TODAY'S SPEAKERS



**Anthony Coombs**  
Chairman



**Graham Coombs**  
Deputy Chairman



**Chris Redford**  
Group Finance Director



**Graham Wheeler**  
CEO Advantage Finance



**“Although uncertainty still surrounds the economic climate following Covid-19, the skies are definitely brightening. As I predicted last year, consumer confidence is returning, and the fundamentals underpinning demand for the vehicles and properties S&U finances remain. My confidence in our superb staff, our financial strength and sound strategy allows me to predict a return to S&U’s habitual levels of success. We relish the challenge.”**

**– Anthony Coombs, Chairman**



## HIGHLIGHTS FOR THE YEAR TO 31 JANUARY 2021

- Group Profit before tax £18.1m (2020 : £35.1m) – H2 2021: £11.8m vs H1 2021: £6.3m
- Earnings per share 120.7p (2020: 239.6p) – H2 2021: 79.7p vs H1 2021: 41p
- Results include an additional £19.5m of Covid related forward looking impairment provisions
- Advantage Finance new loan volumes and receivables reduced by COVID lockdowns, whilst collections have been affected by FCA mandated payment holidays
- Advantage profit before tax for the year was £17.2m (2020: £34.0m). H2 collection trends improved as payment holidays unfolded. Advances, currently at 90% of target, will rebound when motor dealerships reopen on 12<sup>th</sup> April
- Aspen Property Bridging Finance receivables grew more strongly in H2 with good advances. As at March 21 there are no payments past due on the book. After a Covid-19 impacted £0.1m profit before tax in H1, profit before tax for the full year rose to £0.8m (2020: £1.2m) with a record lending pipeline for 2021/22
- S&U propose a final dividend for 2020/21 of 43p (2020: 50p)
- Strong balance sheet with £155m committed facilities and 55% gearing (2020: 66%)



## OUR PROFIT AND LOSS – Year to January 2021

Group Income Statement £m	Jan 21	Jan 20	Change %
Revenue	83.8	89.9	-7%
Impairment	-36.7	-17.2	+113%
Risk adjusted gross yield RAY	47.1	72.7	-35%
Cost of Sales	-14.3	-19.9	-28%
Admin Expenses	-11.1	-12.8	-14%
Finance Costs	-3.6	-4.9	-26%
<b>Profit before tax group</b>	<b>18.1</b>	<b>35.1</b>	<b>-63%</b>
Profit before tax £m	Jan 21	Jan 20	Change %
Motor Finance	17.2	34.0	-49%
Property Bridging Finance	0.8	1.2	-33%
Central finance income/costs	0.1	-0.1	
<b>Profit before tax group</b>	<b>18.1</b>	<b>35.1</b>	<b>-48%</b>

- Revenue in year reduced by 7% v last year reflecting lower average receivables
- Significant £36.7m impairment charge in year due to Covid-19 related forward looking motor impairment provisions (2020: £17.2m)
- Cost of sales reduced by 28% reflecting lower motor finance volumes
- Both businesses more profitable in second half year despite impact of further lockdowns and extended payment holidays and repossession restrictions
- Outlook improving and final dividend proposed of 43p (2020: 50p)



## GROUP BALANCE SHEET – 31 January 2021

£m	Jan 21	Jan 20	Change %	Comment
Fixed Assets and Right of Use Assets	2.7	2.1		IT investment + additional building
Amounts Receivable Motor Finance	246.8	280.8	-12%	Lower lending during lockdown
Amounts Receivable Property Bridging	34.1	21.0	+62%	Lower lending in H1 – growth in H2
Other Assets	1.2	1.6		
<b>Total Assets</b>	<b>284.8</b>	<b>305.5</b>	<b>-7%</b>	
Bank Cash and Overdrafts	-1.3	+0.6		£7m current overdraft facilities
Trade and Other Payables	-2.8	-3.1		
Tax Liabilities	-0.6	-3.7		Earlier tax instalments this year
Accruals and deferred income	-0.6	-0.6		
Borrowings	-97.5	-118.5	-18%	Committed facilities now £155m
Financial and Lease Liabilities	-1.0	-0.7		
<b>Total Liabilities</b>	<b>-103.8</b>	<b>-126.0</b>	<b>-18%</b>	
<b>Net Assets and Total Equity</b>	<b>181.0</b>	<b>179.5</b>	<b>+1%</b>	





## CASH FLOW: Year to 31 January 2021

### Group Cash Flow

- Cash generated in year due to Covid-impacted lower lending in Advantage and including payment of £13.1m dividends
- Cash generation in Advantage partly offset by good Aspen book debt growth in H2

£m	Jan 21	Jan 20
Balance b/f	-117.8	-108.0
Motor Finance inflow	+31.6	-6.1
Property Bridging outflow	-12.5	-1.8
Other outflow	-0.1	-1.9
<b>Balance c/f</b>	<b>-98.8</b>	<b>-117.8</b>
Gearing %	54.6%	65.7%
Analysis of balance c/f		
Central	+73.7	+73.8
Property Bridging	-32.0	-19.5
Motor Finance	-140.5	-172.1
<b>Balance c/f</b>	<b>-98.8</b>	<b>-117.8</b>

### Motor Finance Cash Flow

- Advances 31% lower than last year - lockdown and tighter underwriting due to Covid-19
- Monthly Collections reduced due to payment holidays and debt recovery affected by additional forbearance and repossession restrictions

£m	Jan 21	Jan 20
Balance b/f	-172.1	-166.0
Advances	-102.6	-149.0
Monthly Collections	138.5	148.1
Settlements/reloans	28.0	30.2
Debt recovery	13.8	18.3
Overheads/interest etc	-27.2	-34.8
Corporation Tax	-6.2	-6.3
Dividend	-12.7	-12.6
<b>Balance c/f</b>	<b>-140.5</b>	<b>-172.1</b>

### Property Bridging Cash Flow

- Gross advances lower in first 4 months but recovered since June as property market reopened
- Good collections continued in H2 after slower start to year and now no loans past due at March 21 in remaining growing live book

£m	Jan 21	Jan 20
Balance b/f	-19.5	-17.7
Gross Advances	-43.5	-31.3
Retention Collections	5.2	3.3
Collections	15.2	16.6
Debt recovery	13.6	12.4
Overheads/interest etc	-2.8	-2.6
Corporation Tax	-0.2	-0.2
<b>Balance c/f</b>	<b>-32.0</b>	<b>-19.5</b>



## TREASURY AND FUNDING

- Additional £25m loan post year end - committed funding facilities now total £155m, comprising 2 x £25m term loan facilities maturing in 2028 and 2029, and £105m revolving credit facilities with maturities in 2024 and 2025
- Group gearing at 31 January 2021: 54.6% (2020: 65.7%)
- £19.0m Group cash flow generated in year to 31 Jan 2021 mainly reflects slower lending during lockdown and is after payment of £13.0m dividends





## ADVANTAGE FINANCE OPERATIONAL UPDATE

Despite the extended lockdown our business has kept its focus and we have safeguarded our staff who have adapted admirably to home working.

- Improving our sales offer whilst refining business quality and underwriting
- Improving our collections processes and performance
- Maintaining regulatory standards and developing our forbearance activities
- Pushing forward with our technical developments
- Enhanced digital marketing
- Developing new routes to market
- Strategy review – review EV market

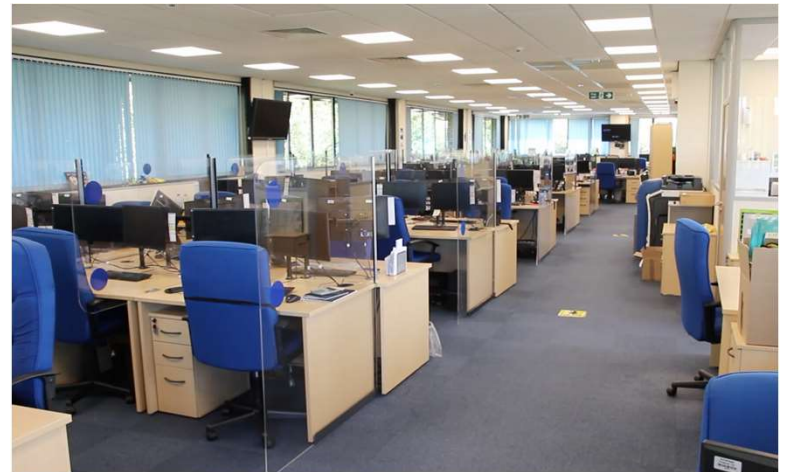




# ADVANTAGE FINANCE CURRENT SITUATION

## Operational Update

- Office-based staff reduced to a maximum of 30 since December for essential tasks, training, supervision and where home working is individually impossible
- All other staff generally working successfully at home
- Introduced Wellbeing Programme for staff
- Registered with Government Business Covid self-testing programme
- Planning a 4 stage return to a new normal flexible working environment in line with Government advice for all 165 staff from June 21<sup>st</sup>





# ADVANTAGE FINANCE CURRENT SITUATION

## Sales

- Due to the extended lockdown, Dealers reverted to a “click and collect” delivery process
- Despite high levels of “Digital Tyre-Kickers”, actual physical deliveries were therefore restricted
- Sales volumes have recovered in Q4 towards around the 80% of original budget level - and returned to 89% of budget in February and on track to achieve 100% in March
- The release from Lockdown for Dealers on April 12<sup>th</sup> is expected to see a significant release of pent-up demand and Advantage are positioning ourselves to recover volume and return to our growth plan

### Improve Overall Quality

- Introduced a more aggressively priced Tier A+ product in Q4
- Returned selectively to Tier E Business in December
- Returned to Self Employed Lending
- Score improvement to 914 in January and average of 900 for year
- First Payment Success rates maintained above 98%

### From Risk Reduction to Managing Risk

- Returned to selective Tier E lending in December after re-assessment of characteristics within our scorecard
- Returned to Self Employed Lending with more selective lending criteria and employment categories
- Constantly refining our underwriting processes and affordability thresholds

### Controlling Commissions

- Maintained our reduced Commission structure introduced during summer 2020
- Restructured commission arrangements with largest broker to support volume growth in 2021

### Competitive Interest Rates

- More dynamic approach to individual Broker rates packages.
- Introduced Tier A+ product targeted at near prime customers with lower rate and extended term offer on newer, lower mileage cars
- Returned to pre-lockdown rate standard rate structure
- Introduced new Self employed offering and rate structure



# ADVANTAGE FINANCE CURRENT SITUATION

## Customer Care and Collections

### Regulator Update

- Financial Conduct Authority introduced further Phases of Guidance for Covid-affected Customers, up to 6 month Payment Deferral for all customer regardless of status
- Applications for payment deferrals open until end March 2021
- Released ban on repossessions for Covid-affected Customers from February 2021
- No changes to CCA rules, including VTs
- Regulator carried out lender specific study on the handling of forbearance measures, processes and Customer Interactions
- FCA Lender study on Liquidity Management to ensure Capital was readily available and that Treasury Controls were adequate
- FCA issued further guidance on in-life affordability assessments post COVID

### Advantage Response

- Our collections approach has been to route customers into call centre to individually consider any new Deferral requests and extensions
- We have returned to our repossessions processes for both non-Covid and Covid affected cases
- As customers “offboard” from their payment deferrals, Cash collection is improving towards a normalized performance of around 90% cash collection
- Advantage forbearance processes, policies and customer interactions were investigated by the FCA to support their market study with ZERO negative feedback
- S&U participated in the FCA Liquidity Monitoring study with ZERO negative feedback
- Advantage are adopting new guidance on in-life affordability approach by introducing both open banking and manual I&E link to customers



### Advantage Finance

Reviews 2,045 • Excellent



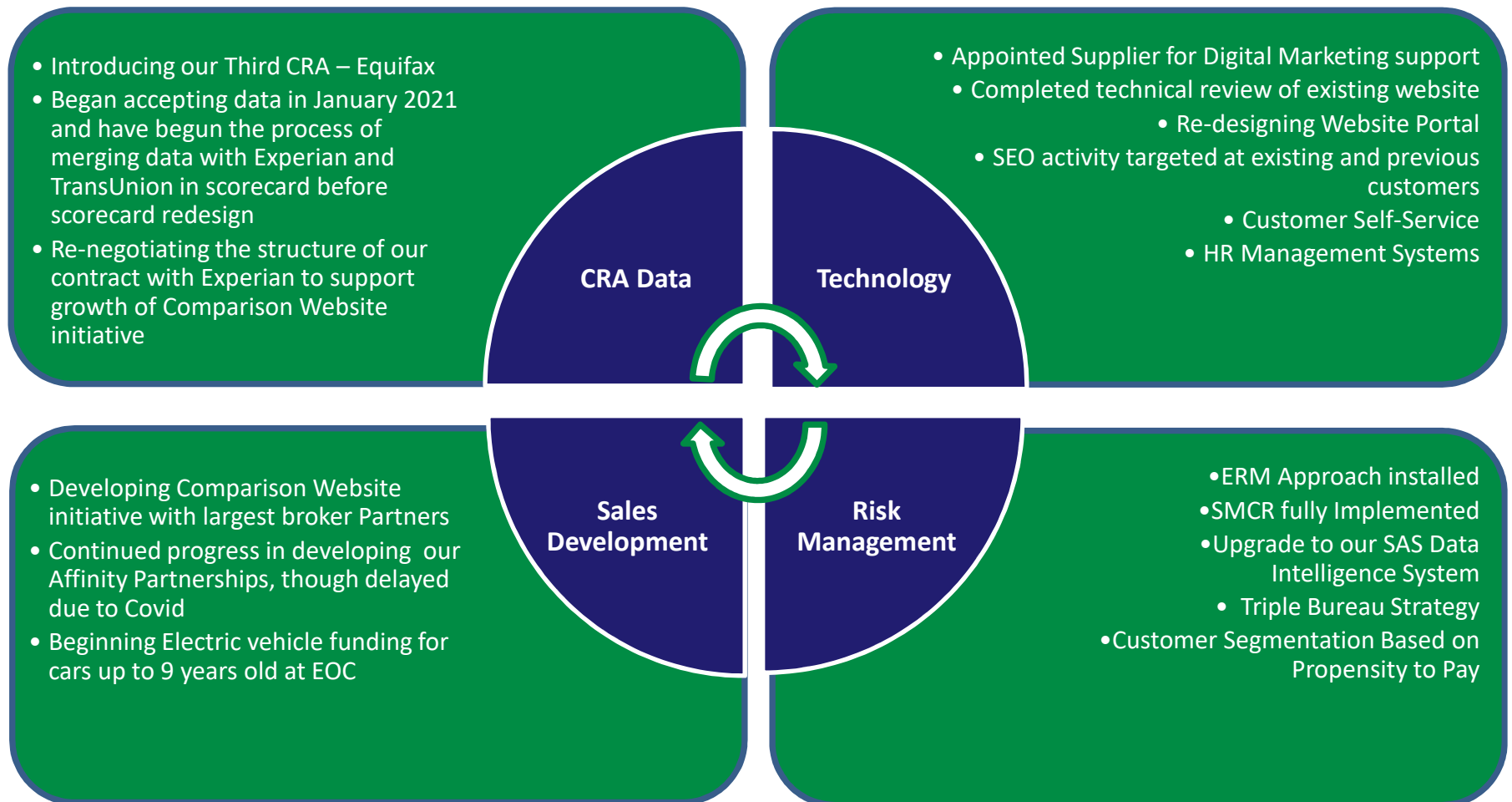
Advantage Finance work very closely with FLA, representing the Finance industry in Government and Treasury Discussions





# ADVANTAGE FINANCE CURRENT SITUATION

## Further Developments





## MOTOR FINANCE LOAN PROFILE BY YEAR OF ORIGINATION

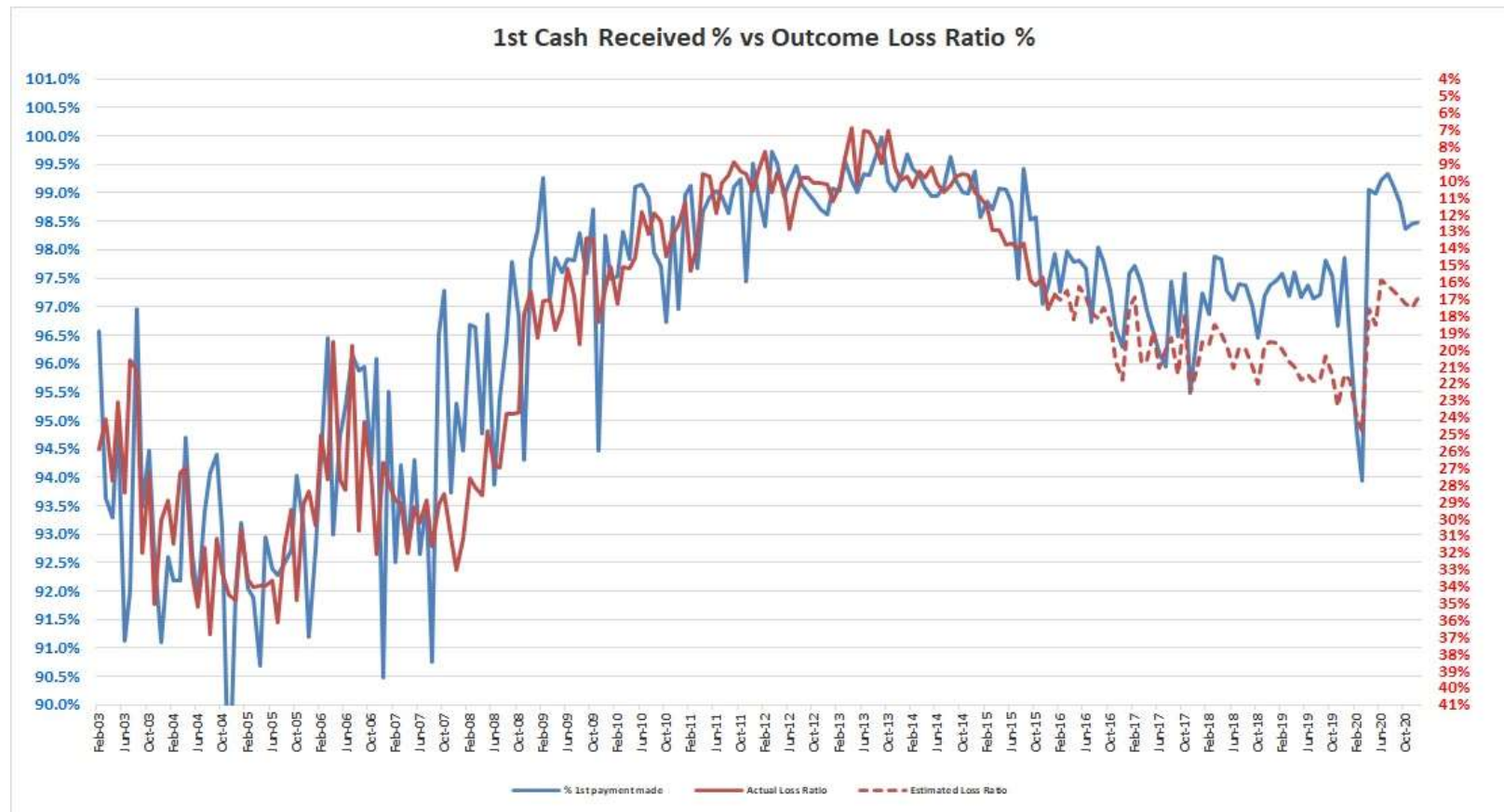
Average Loan profile	Year to Jan 16	Year to Jan 17	Year to Jan 18	Year to Jan 19	Year to Jan 20	Year to Jan 21
Number of loans	15,131	20,042	24,518	21,053	23,334	15,589
Advance	£6,121	£6,068	£6,207	£6,136	£6,385	£6,581
Cost of Sales	£593	£642	£692	£727	£824	£872
Interest rate flat per annum	17.5%	17.9%	17.8%	17.9%	17.7%	17.0%
Average customer score*	867	862	869	865	867	900*
Original term in months	49	50	51	50	51	52

\*The score in Jan 21 is less certain due to CRA reporting of payment holidays but early repayments so far are good.





## MOTOR FINANCE – first repayment quality

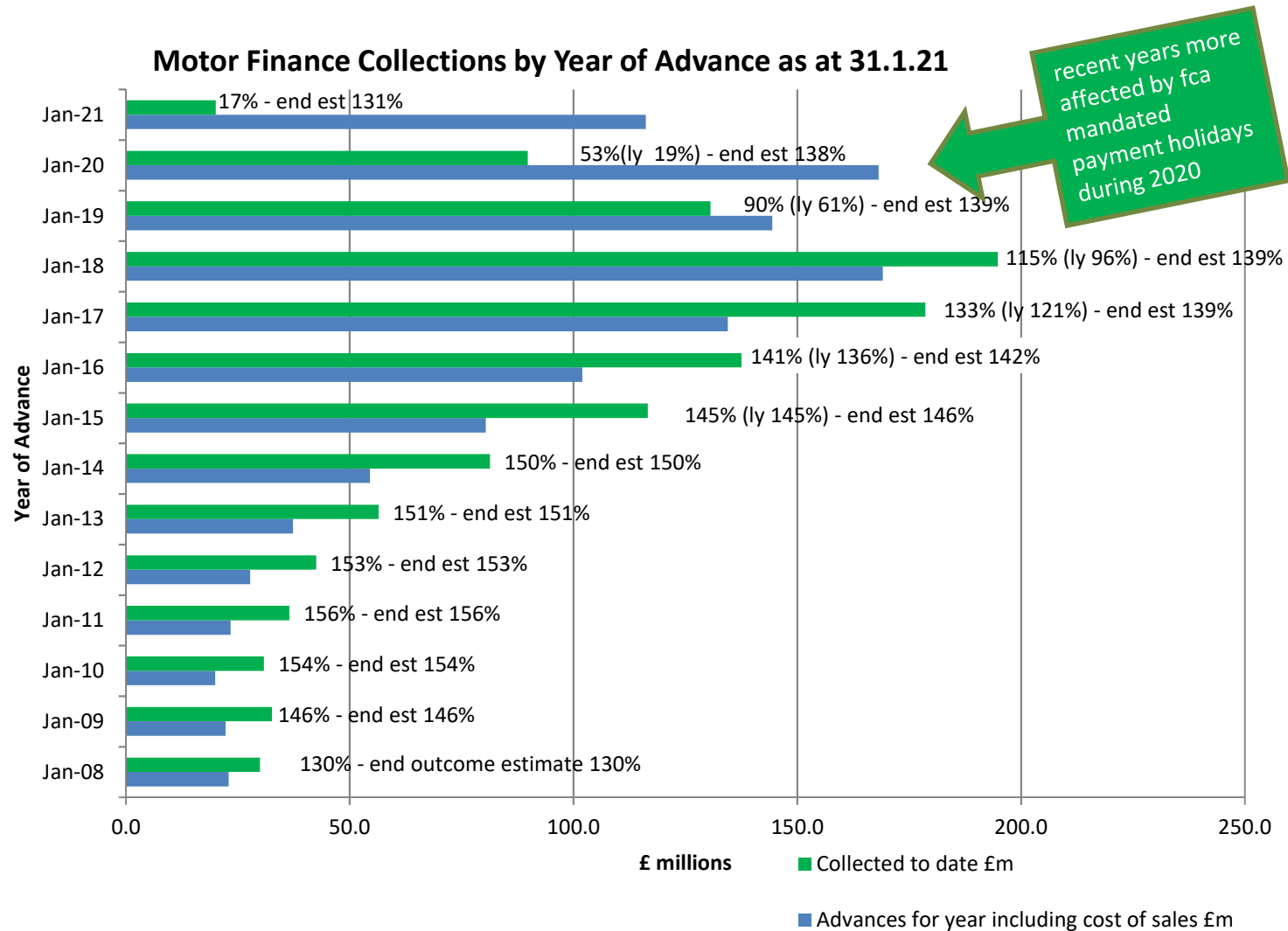


- Strong historic correlation between early repayments and end outcomes with adverse impact of Covid-19 also estimated
- Underwriting improvements last year and post lockdown this year to tighten affordability and credit assessment criteria for new business (in particular in respect of newer high cost short term products) is now giving rise to larger improvement in early repayments





# MOTOR FINANCE – Collections % of upfront investment





## MOTOR FINANCE RECEIVABLES

Original Contract Arrears	Position at end January 2021					Position at end January 2020	
	Volume of Accounts	Percentage of Live Receivable	Payment holiday accts % of live receivable	Post payment holiday accts % of live receivable	Non payment holiday accts % of live receivable	Volume of Accounts	Percentage of Live Receivable
Up to Date	39411	62.01%	2.87%	0.59%	90.80%	50825	79.32%
0.01 – 1 mthly payments	3090	4.55%	11.03%	3.61%	4.24%	5664	9.13%
1.01 – 2	2424	3.41%	11.71%	6.23%	1.51%	2514	3.93%
2.01 – 3	4999	7.92%	14.99%	25.04%	0.87%	1621	2.43%
3.01 – 4	3208	5.23%	13.96%	15.74%	0.45%	1008	1.54%
4.01 – 5	2086	3.58%	11.67%	9.93%	0.40%	653	0.93%
5.01 – 6	1760	3.00%	10.63%	8.24%	0.28%	451	0.64%
6.01 +	5773	10.30%	23.14%	30.62%	1.45%	1489	2.08%
Total Live Accounts	62751	£242.0m net receivables	3728 accts	15040 accts	43983 accts	64225	£275.8m net receivables
Legal and debt recovery	20482	£4.7m net receivables	On Payment Holiday	Collected 79% of due in Jan 21	Collected 97% of due in Jan 21	19890	£5.0m net receivables
Total Accounts	83233	£246.7m net receivables				84115	£280.8m net receivables

- For this receivables chart only, payment holidays show as arrears to illustrate the impact versus original contract
- Chart shows the original contract arrears for total book and also for January 21 the split of the total book between non payment holiday accounts (where contract arrears can be measured as normal), payment holiday accounts and post payment holiday accounts



## ASPEN BRIDGING



- Record year for loan transactions with 55 in H2, up from 25 in H1 during lockdown induced freeze
- Record year for lending with gross lending of £43.5m (2020: £31.3m)
- Best ever book quality and only 2 loans were past due at 31 January 2021. As of March 2021 no loans are either in an agreed extension or past due
- PBT for 2020/21: £800,000 (2020: £1.2m) after just £100,000 in COVID affected H1
- Record net receivables of £34.1m and record application numbers as the residential markets recovers give good yield and potential for profit growth in 2021/22
- Recruited successfully in early 2021 in preparation for lending and repayment growth during 2021/22
- Recently approved as a CBILS lender giving significant further short term potential lending to customers, temporarily impacted by Covid-19. Loans will be backed by a Government guarantee, although Aspen will maintain their normal rigorous underwriting standards
- Made 234 new loan facilities in the 4 years to 31 January 2021, of which 165 have repaid. The recent track record of rising advances, repayments and quality justify our growth ambitions

## OUTLOOK

S&U's financial strength and 83 years of lending experience have enabled it to weather and learn from the economic and social upheavals of 2020.



- ✓ Navigated the 2020 COVID downturn with resilience
- ✓ Significant opportunities for growth in 2021
- ✓ Long-standing underwriting skills
- ✓ Digital expansion



- ✓ Property market rebound
- ✓ Growth opportunities
- ✓ CBILS opportunity



## APPENDICES



## MOTOR FINANCE – our business



- Used car finance on hire purchase – 90% sourced through brokers – 5% refinances for previous customers – 5% direct from dealers
- Advantage new granted over 190,000 loans since business started in 1999
- Deals underwritten and collected centrally – direct debit is the basic repayment method for all customers
- Customer's typical loan is an £6,500 advance with £11,700 repayable, including interest, over an average term of about 52 months



## MOTOR FINANCE – customer loan journey



\* Creditworthiness check includes multiple credit reference enquiries, bespoke credit score and various internal & external anti-fraud checks

\*\* Affordability check includes income verification, assessment of monthly credit commitments and statistical analysis of cost of living at individual postcode level.





## MOTOR FINANCE – credit and risk management

- Automated approve/decline decision from bespoke scorecard system returned within 10 seconds on 95% of all applications received – over 120,000 applications received each month
- Well established compliance procedures supported by outside internal audit function and external specialist legal advisers
- Monthly distribution of compliance and risk reports, quarterly TCF reports signed off by all directors, strong complaint handling procedures and successful track record of compliance inspections
- Customer Relations Department strengthened in 2020 with Trustpilot score reaching a record 4.8 out of 5 for customer service and reliability in the middle of the pandemic



## MOTOR FINANCE – our loyal customers

### CASE STUDY

Mrs H lives in Tyne and Wear with her partner and works as an Administrator in a Tool Hire business.

She takes home approx. £1,270 per month in October 2020 and was looking for a vehicle to provide her transport requirements.

An application for motor finance was placed by a leading internet broker with Advantage, whose systems were able to electronically assess and approve the application within seconds. This assessment included a full appraisal of existing credit reference data. As part of these substantial checks and a check of Mrs H's payslip Advantage was able to confirm that her circumstances met its lending and affordability criteria and was able to convey a credit limit for Mrs H to work with as she searched for a suitable vehicle. She chose a Ford Kuga Zetec, with affordable monthly repayments of £186, from a local dealer.

### REVIEW

*"Brilliant service from start to finish only took 1 week from seeing the car could not fault the service."*

*Mrs H, Oct 2020*





## MOTOR FINANCE – our loyal customers

### CASE STUDY

Mr B lives in Gloucestershire and is a key worker in Healthcare. He takes home £1438 per month and was looking for a vehicle to provide him transport requirements in November 2020.

Mr B's credit profile was assessed as part of the application, together with his overall income and outgoings to ensure that the proposed loan was appropriate and affordable for his circumstances. Despite the historic CCJ (2017) Mr B paid all of his bills on time and didn't have any other credit commitments.

Mr B's application was approved and after being given an indication of his credit limit, settled on a Jaguar from a dealer of his choice. The purchase price was £2,939, and Advantage arranged a loan to be repaid over 28 months at monthly repayments well suited to Mr B's budget.

Once the terms had been agreed, Advantage were able to progress the transaction very quickly using its new electronic signature system which meant that Mr B was able to complete all the relevant documentation and purchase the vehicle without any delay.

### REVIEW

*"I had a quick response to my application and plenty of communication from advantage finance and the garage to let me know with the process at every single stage, thank you very much I am very pleased."*

**Mr B, Oct 2020**





## MOTOR FINANCE – customer testimonials

“A very happy customer. The service was exceptional especially during such challenging times. A dedicated representative processed my application. Thanks, Jodie this meant I didn’t have to repeat myself. A very quick, friendly and professional service overall”

*Ms W, Jan 2021*



“Ellie took the stress out of my situation with Covid and has just made life a little bit easier for the next couple of months, also I’ve had quite a few money issues over the years and Advantage have really helped me out and never put me under pressure. Ellie today was fantastic. Thank you!”

*Natalie, Nov 2020*





## MOTOR FINANCE – customer testimonials



“Great Company to deal with they are so approachable in fact I hadn’t had to approach them during covid financial restructuring they approached and helped me and they continue to do so today I will continue to use them in the future as they know how to take the stress out of what can be a very difficult situation for many people when circumstances change.” - **Fraser, Jan 2021**



“Wow, there are several people to thank but the person that pulled it all together was Jodie. What a delight!!! From starting with a washed out call from a frazzled mum not thinking she would get finance to replace her car to 3 hours later transferring over the funds that allowed her to stay on the road. Jodie’s customer service was amazing and the day before Christmas. It was really needed. Thanks you Jodie and the wider team that made it happen.” - **Claire, Dec 2020**



“Exemplary customer service. Having to deal with challenging news in these times is extremely difficult. My request was somewhat scattered and had various branches. It meant everything to feel well supported and understood. Alice specifically demonstrated outstanding efficiency and expertise. Alice has a helpful, empathetic and prompt manner. She ensured that all of my concerns were satiated. This is the level of customer service that exceeds expectations and make me proud to be a customer of Advantage Finance, thank you.” – **Zee, Jan 2021**



“Considering how complicated the world is at the moment I have received an excellent service all the way through the process. One member of staff even stayed on well past the end of her shift to ensure the garage received payment to release me new car to me. Thank you!” – **Rodger, Dec 2020**





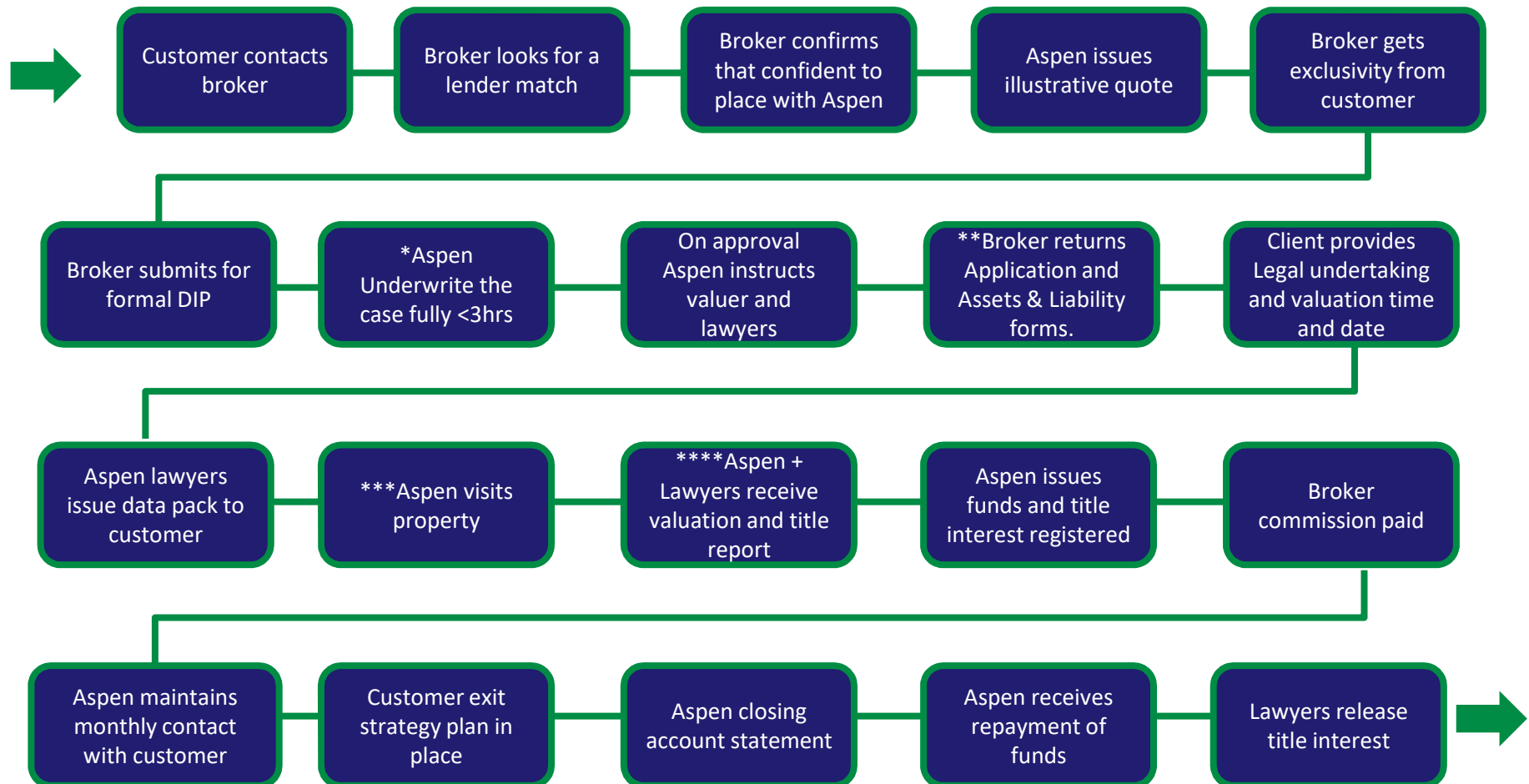
## PROPERTY BRIDGING FINANCE – our business



- Aspen started trading in February 2017 and provide a “fast, flexible, friendly and fair” service to customers with property bridging loan requirements
- 234 secured property bridging loan facilities have been provided to customers to date with an average gross loan facility of c.£500,000 at a maximum gross to value of 71%
- Bridging loans are all secured on a wide range of properties from residential to commercial, and average original term has increased this year to 11 months from 9 months previously
- Repayment can be made either before or at the end of the loan term and all facilities have a built in option for the lender to extend the facility for a further 2 months where required and appropriate – 165 repaid up to 31 January 21



## PROPERTY BRIDGING FINANCE – Aspen process



- \*Includes credit checks and Rightmove+ assessment, any manual edits to DIP (Decision in Principle) made at this point
- \*\*Fraud and electronic ID checks performed at this point
- \*\*\*Customer interview & security review take place
- \*\*\*\*Audited by experienced valuer retained by Aspen, as well as any final edits made to the DIP based on accurate valuation





## PROPERTY BRIDGING FINANCE – case study

### CASE STUDY

#### COMMERCIAL RETAIL BRIDGE SOMERSET - £175k AUCTION PURCHASE

Aspen provided a lightning-fast 65% LTV bridge over the Christmas period to assist an experienced property developer with the auction purchase of a vacant high street commercial property in Weston-Super-Mare.

The client opted for our popular stepped rate from 0.54% per month over 10 months.

Fieldfisher LLP and our integrated legal client solicitor did amazing work on the legal to enable a swift completion.

The case was introduced and information provided by our broker and Saif, underwriter at Aspen, managed it through to completion.

### REVIEW

*"It was great to experience Aspen at work, really impressed. It was the transaction time over the holiday period that stood out."*

**Adam Jan 2021**





## PROPERTY BRIDGING FINANCE – case study

### CASE STUDY

#### **SURREY – £1.75M LIGHT REFURBISHMENT**

The client needed £1.75m to fund light refurbishment works on this project and another development. Aspen overcame complex legals on the registration of the recent purchase to ensure the deadline was met.

Aspen provided 72% LTV on its First Charge Light Refurb product at a rate of 0.49% for the first five months of a 10-month term.

Aspen's Senior Underwriter Prabhat, who handled the case from start-to-finish, worked with the lender's lawyer Fieldfisher LLP who expedited the registration as a priority.

### REVIEW

*"I was really happy I recommended Aspen on the deal. When we have applications that require a certain level of attention and first class communication is absolutely critical, they deliver in all aspects for us and the client."*

**Romit, Nov 2020**





## PROPERTY BRIDGING FINANCE – customer and broker testimonials



“The case threw up several complications, however Aspen were able to provide the client with outstanding professional advice to assist with the building, insurance and legal issues, all of which made the deal possible in a very timely manner.” – **Lee, May 2020**



“As always Aspen immediately understood the client’s requirements and worked with all parties to ensure the funds were released as soon as possible.” – **Andrew, Aug 2020**



“We work together well with Aspen and when speed matters their proactive underwriters stepped up to the task and took this case from application on a Sunday to valuation on a Monday and completion on Wednesday.” – **Raj, Sept 2020**



"What you see here is as good as lending can ever get in United Kingdom. We are proud of working with the Aspen team who help our clients achieve their financial needs as quickly as they need to." – **Winston, December 2020**

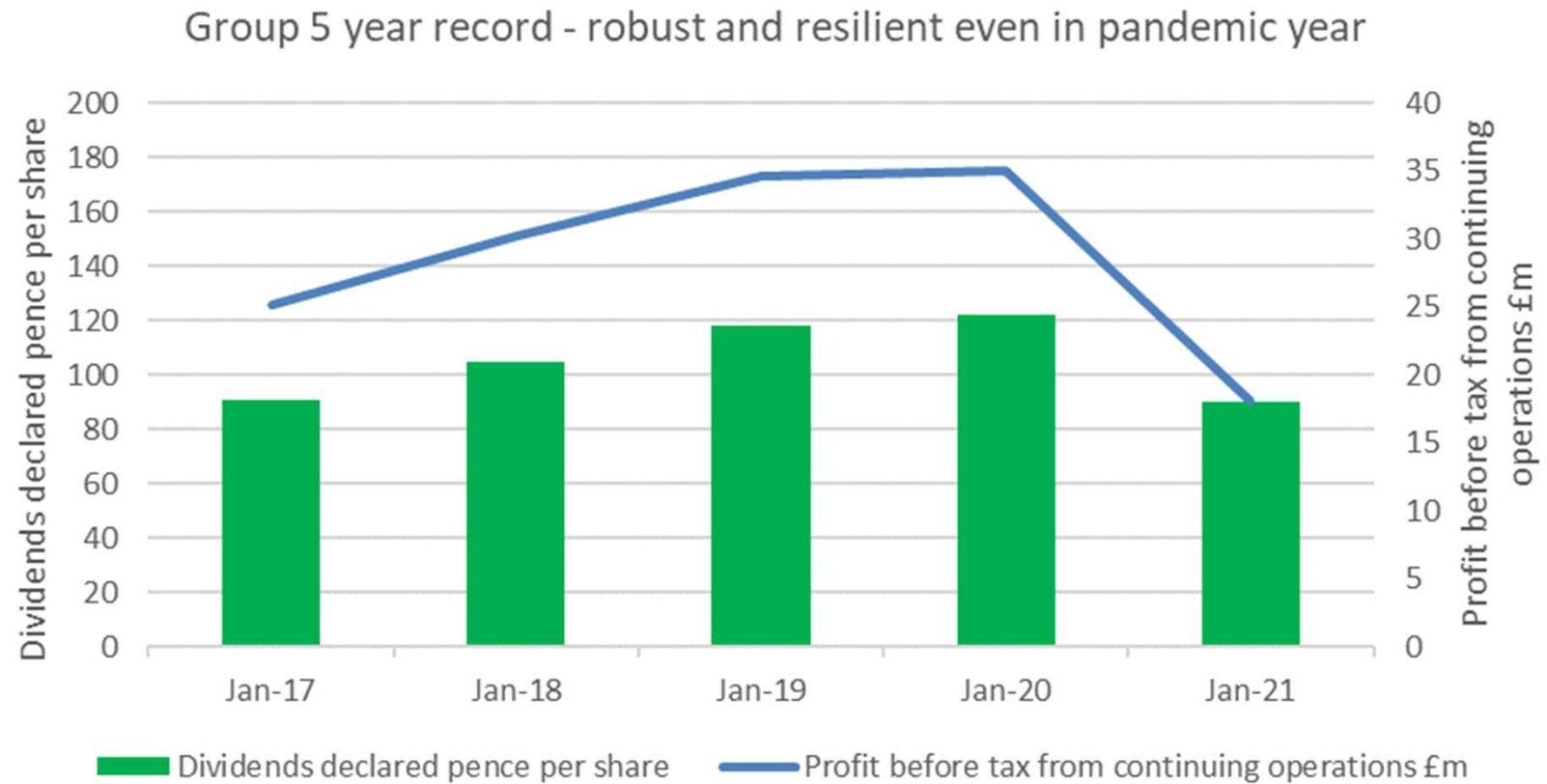


## GROUP INCOME STATEMENT – our five year record

Continuing Business £m	Year to Jan 17	Year to Jan 18	Year to Jan 19	Year to Jan 20	Year to Jan 21
Revenue	60.7	79.7	83.0	89.9	83.8
Cost of Sales	-12.9	-17.3	-15.7	-19.9	-14.3
Impairment	-12.1	-19.5	-17.0	-17.2	-36.7
Admin Expenses	-8.8	-9.9	-11.2	-12.8	-11.1
Finance Costs	-1.7	-2.8	-4.5	-4.9	-3.6
<b>Profit before tax</b>	<b>25.2</b>	<b>30.2</b>	<b>34.6</b>	<b>35.1</b>	<b>18.1</b>



## PROFITS RECORD OVER LAST 5 YEARS FOR GROUP





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