

Arrow Global Group PLC

Results for the three months ended
31 March 2014

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Arrow Global Group PLC is registered in England and Wales with company number 08649661 and has its registered office at Belvedere, 12 Booth Street, Manchester M2 4AW.

Arrow Global Group PLC

(“Arrow Global” or “the Group” or “the Company”)

Results for the three months ended 31 March 2014

Arrow Global, one of Europe’s largest and fastest growing providers of debt purchase and receivables management solutions, is pleased to announce its results for the three months ended 31 March 2014.

Highlights

- Core collections¹ up 16.1% to £31.8 million (3 months ended 31 March 2013: £27.4 million)
- Adjusted EBITDA up 17.6% to £22.3 million (3 months ended 31 March 2013: £19.0 million); adjusted EBITDA ratio 70.1% (3 months ended 31 March 2013: 69.4%)
- Underlying net income £5.2 million with no portfolio write up (3 months ended 31 March 2013: £5.6 million including £2.6 million of portfolio write up)
- Acquired debt portfolios with face value of £246 million for an aggregate purchase price of £33.2 million, with 67.8% of purchase price underpinned by paying accounts
- 120-month ERC² up 15.4% to £681.3 million (31 March 2013: £590.6 million)
- Net debt of £201.4 million and Net Debt to LTM Adjusted EBITDA ratio 2.2
- Face value of total assets under management increased to £9.7 billion (31 December 2013: £9.6 billion), including purchased portfolios of £7.5 billion (31 December 2013: £7.2 billion)
- Owned customer accounts increased to 5.3 million (31 December 2013: 5.1 million)
- FCA interim permissions granted, transition to FCA regime well progressed
- Further enhancements to our servicer management and oversight framework including the appointment of BDO as internal auditors
- Resolution of historical tax issue resulting in a non-recurring charge of £2.4 million

Tom Drury, Chief Executive of Arrow Global, commented:

“Arrow Global had a strong first quarter with the acquisition of £33.2 million of good quality loan portfolios, all of which were in our core UK market. Core collections grew by 16% and alongside further reductions in the cost to collect led to adjusted EBITDA growing by 18% and adjusted EBITDA margins exceeding 70%. The business is highly cash generative and the board confirms its intent to announce a maiden dividend with our half year results.

“Our transition to the FCA regime is well progressed. We have further enhanced our servicer management and oversight framework, including the appointment of BDO as internal auditor.

“We see a strong pipeline ahead in the UK and Europe, and while segments of the market remain competitive, our ability to access deals from multiple sources will allow us to continue to invest in attractive loan portfolios. We continue to anticipate a normal weighting of portfolio purchases to the second half of the year and overall we remain on track to deliver results in line with our expectations.”

22 May 2014

Notes:

1. Core collections is collections on Arrow Global’s purchased loan portfolios.
2. Estimated remaining collections

For further information:

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Tom Drury
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Mike Davies
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There will be a conference call for investors today at 2pm (UK time). Dial in details below:

Participant Dial-In Number: 0808 238 0673
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Conference ID: 47480673

**About Arrow Global (for further information please visit the company website:
www.arrowglobalir.net)**

Notes to Editors

Arrow Global is one of Europe's largest and fastest growing providers of debt purchase and receivables management solutions, with £9.7 billion assets under management, including £7.5 billion of purchased assets. Our data driven, compliance focused and customer-centric business model offers a tailored approach for creditors and customers alike.

We use our data capability to acquire portfolios underpinned by paying accounts, with the opportunity to convert non-paying accounts. Our intensive data analysis and account segmentation help to ensure that each customer is offered the most suitable solution for their individual circumstances. We have developed data analytical tools which provide an optimised understanding of individual customers' circumstances and help us adhere to regulatory and compliance requirements, for which Arrow Global has an established track record.

Forward looking statements

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and its subsidiaries (the "Group") and the industry in which the Group operates. These statements may be identified by words such as "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions or the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. All statements regarding the future are subject to inherent risks and uncertainties and various factors could cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Further, certain forward looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company nor any other person accepts any responsibility for the accuracy of the opinions expressed in this document or the underlying assumptions. The forward-looking statements in this document speak only as at the date of this presentation and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

Business & Financial review

Business Review

	As of and year to 31-Dec-13 £m	As of and 3 months to 31-Mar-14 £m	As of and 3 months to 31-Mar-13 £m
Purchases of loan portfolios	101.3	33.2	33.4
Face value of portfolios acquired (billion)	7.2	7.5	6.6
Number of accounts ('000)	5,109	5,275	4,737
Core collections	127.8	31.8	27.4
Collection cost ratio (%)	21.9%	21.7%	22.4%
Adjusted EBITDA	89.6	22.3	19.0
Adjusted EBITDA ratio	70.1%	70.1%	69.4%
Underlying net income	25.2	5.2	5.6
84-month ERC	564.3	587.8	507.2
120-month ERC	650.3	681.3	590.6
Net debt	178.3	201.4	200.8
Net assets	105.2	107.8	12.6

ERC and portfolio acquisitions

At 31 March 2014, 84-Month ERC and 120-Month ERC have increased to £587.8 million and £681.3 million respectively (31 December 2013: £564.3 million and £650.3 million respectively). Of the 84-month ERC of £587.8 million, 90% was in the UK consisting of 113 loan portfolios and 10% was in Portugal consisting of 15 loan portfolios. 88% was in financial services assets, which have a higher average balance and have a longer tail than assets in other sectors.

For the three months ended 31 March 2014 ('Q1 2014'), we acquired debt portfolios with a face value of £246 million for a purchase price of £33.2 million. Of these portfolios, £67.1 million comprises paying accounts, representing 67.8% of the purchase price. This mitigates our downside risk on these portfolios, whilst we use our data assets to seek to penetrate the £179.3 million of non-paying accounts.

	Face Value	Purchase Price	% of Investment
Paying Accounts	£67.1m	33.5p	67.8%
Non-paying accounts	£179.3m	6.0p	32.2%
Total	£246.4m	13.5p	100.0%

These acquisitions, net of amortisation, have increased the balance sheet value of our purchased loan portfolios to £296.0 million at 31 March 2014 (31 December 2013: £273.9million).

Collections

Core collections for Q1 2014 increased to £31.8 million (31 March 2013 ('Q1 2013'): £27.4 million), reflecting the increased size of our loan portfolios. At the end of the quarter core collections are cumulatively 102% of our original underwriting forecast.

Revenue

During the Q1 2014, total revenue increased by £1.1 million to £23.1 million (Q1 2013: £22.0 million), due mainly to a rise in income from purchased loan portfolios to £21.8 million offset by a portfolio write up in Q1 2013 (Q1 2013: £19.0 million with a portfolio write up of £2.6 million). Amortisation and revaluation were consistent with guidance at 31.5% of core collections for the 3 month period to 31 March 2014 (Q1 2013: 20.9%). Going forward, we will consider portfolio adjustments as part of the half and full year accounts and audit process.

Operating profit

Operating profit pre-exceptional items in the quarter decreased to £11.9 million (Q1 2013: £13.1 million), largely due to no portfolio write up in Q1 2014. Our collection activity cost ratio improved slightly to 21.7%, driving the increase in Adjusted EBITDA to £22.3 million (Q1 2013: £19.0 million) with an Adjusted EBITDA ratio for the quarter at 70.1% YTD (Q1 2013: 69.4%). Including in operating profit in the current period was £0.3 million of one off restructuring costs.

Finance costs

Finance costs pre-exceptional items increased slightly by £0.2m to £5.2 million (Q1 2013: £5.1 million). Our cash cover ratio (Adjusted EBITDA/ interest) was 4.3 times for the quarter ended 31 March 2014.

Taxation

The taxation charge on ordinary activities increased by £1.0 million to £1.3 million (Q1 2013: £0.3 million) due to the improved statement of comprehensive income position.

Underlying net income

Underlying net income decreased 6.7% to £5.2 million (Q1 2013: £5.6 million). The main difference being a portfolio write up in Q1 2013 which was not made in 2014, as discussed in the revenue section above, net of a strong performance on collections. The breakdown of underlying net income can be seen in note 5.

Total comprehensive income for the period attributable to equity shareholders

Our profit for the period attributable to equity shareholders was £2.2 million (Q1 2013: £1.1 million loss).

Cash flow and net debt

Net cash flow from operating activities before purchases of loan portfolios and loan notes increased to £17.4 million (Q1 2013: £8.9 million). This was largely due to an increase in collections during the period to £31.8 million (Q1 2013: £27.4 million). Our leverage ratio (Net Debt/84-month ERC) was 34.3%.

Recent Developments and Outlook

Recent Developments

The Group appointed BDO in April 2014 to provide its internal audit services, as it continues to invest in strong governance procedures.

The group has been involved with ongoing discussions with HMRC with respect to the business activities in Guernsey prior to 2013 when the group was restructured. HMRC has concluded its review and disagree with our technical analysis. HMRC have raised an assessment for VAT but confirmed no penalties will be levied as they have confirmed that the group acted reasonably. Given the time, costs and uncertainties associated with appealing the HMRC decision at a tax tribunal and the fact that this is a historic issue with no impact on future profitability the board have decided commercially to settle the assessment. Including advisors costs for the current period, this has resulted in a non-recurring charge of £2.4 million.

We have continued to invest in building our Data Analysis, Risk and Compliance teams to position us to remain at the forefront of the industry, and during the quarter we increased our head count from 119 to 122 full time employees.

Outlook

The business is highly cash generative and the board confirms its intent to announce a maiden dividend with our half year results.

We see a strong pipeline ahead in the UK and Europe, and while segments of the market remain competitive, our ability to access deals from multiple sources will allow us to continue to invest in attractive loan portfolios. We continue to anticipate a normal weighting of purchasing to the second half of the year, we remain on track to deliver results in line with our expectations.

Unaudited Consolidated Statement of Comprehensive Income

For the period ended 31 March 2014

	<i>Note</i>	3 months ended 31 March 2014 £000	3 months ended 31 March 2013 £000
Continuing operations			
Revenue			
Income from purchased loan portfolios	4	21,787	19,029
Portfolio write up		-	2,610
Profit on portfolio and loan note sales		504	-
		<u>22,291</u>	<u>21,639</u>
Income from asset management		798	375
Total revenue		<u>23,089</u>	<u>22,014</u>
Operating expenses			
Collection activity costs		(6,896)	(6,115)
Professional fees and services		(312)	(783)
Other expenses		(4,017)	(2,065)
Total operating expenses		<u>(11,225)</u>	<u>(8,963)</u>
Operating profit (pre-exceptional costs)	4	<u>11,864</u>	<u>13,051</u>
Exceptional items	4	(2,994)	(8,795)
Operating profit (post-exceptional costs)		<u>8,870</u>	<u>4,256</u>
Finance costs	6	(5,206)	(5,052)
Exceptional finance costs	6	(144)	-
Profit before tax		<u>3,520</u>	<u>(796)</u>
Taxation charge on ordinary activities		(1,310)	(337)
Profit for the period attributable to equity shareholders		<u>2,210</u>	<u>(1,133)</u>
Foreign exchange translation difference arising on revaluation of foreign operations		(2)	42
Total comprehensive income for the period attributable to equity shareholders		<u>2,208</u>	<u>(1,091)</u>

Unaudited Consolidated Balance Sheet

As at 31 March 2014

		31 March 2014	31 December 2013
Assets	Note	£000	£000
Non-current assets			
Purchased loan portfolios	8	229,179	211,787
Other non-current assets ¹		5,089	5,383
Total non-current assets		234,268	217,170
Current assets			
Cash and cash equivalents		32,625	47,520
Purchased loan portfolios	8	66,794	62,145
Other current assets ²		10,762	11,701
Total current assets		110,181	121,366
Total assets		344,449	338,536
<i>Total purchased loan portfolios</i>	8	<i>295,973</i>	<i>273,932</i>
Total equity attributable to shareholders		107,816	105,173
Liabilities			
Non-current liabilities			
Senior secured notes		210,335	211,920
Other non-current liabilities ³		2,485	2,646
Total non-current liabilities		212,820	214,566
Current liabilities			
Trade and other payables	7	22,429	13,022
Senior secured notes		1,384	5,775
Total current liabilities		23,813	18,797
Total liabilities		236,633	233,363
Total equity and liabilities		344,449	338,536

1. Other non-current assets consist of goodwill, other intangible assets, property, plant and equipment, loan notes and deferred tax assets, as applicable
2. Other current assets consist of other receivables, derivative asset and current tax asset, as applicable
3. Other non current liabilities consists of non-controlling interest loan and deferred tax liability, as applicable

Unaudited Consolidated Statement of Changes in Equity

For the year ended 31 December 2013:

	Ordinary shares £000	Share premium £000	Retained earnings £000	Own share reserve £000	Translation reserve £000	Merger reserve £000	Total £000
Balance at 1 January 2013	1,351	275,623	12,868	-	(326)	(276,961)	12,555
Profit for the year	-	-	15,111	-	-	-	15,111
Exchange differences	-	-	-	-	1	-	1
Total comprehensive income for the year	-	-	15,111	-	1	-	15,112
Issue of shares on debt conversion	149	30,377	-	-	-	-	30,526
Issue of shares at IPO (net of costs)	244	41,436	-	-	-	-	41,680
Repurchase of own shares	-	-	-	(1,430)	-	-	(1,430)
Sale of own shares	-	-	1,501	868	-	-	2,369
Share based payments	-	-	4,361	-	-	-	4,361
Balance at 31 December 2013	1,744	347,436	33,841	(562)	(325)	(276,961)	105,173

For the 3 month period ended 31 March 2014:

	Ordinary shares £000	Share premium £000	Retained earnings £000	Own share reserve £000	Translation reserve £000	Merger reserve £000	Total £000
Balance at 1 January 2014	1,744	347,436	33,841	(562)	(325)	(276,961)	105,173
Profit for the year	-	-	2,210	-	-	-	2,210
Exchange differences	-	-	-	-	(2)	-	(2)
Total comprehensive income for the year	-	-	2,210	-	(2)	-	2,208
Share based payments	-	-	435	-	-	-	435
Balance at 31 March 2014	1,744	347,436	36,486	(562)	(327)	(276,961)	107,816

Unaudited Consolidation Statement of Cash Flows

For the 3 month periods ended 31 March 2014:

	Note	3 months ended 31 March 2014 £000	3 months ended 31 March 2013 £000
Net cash flow from operating activities before purchases of purchased loan portfolios and loan notes		17,442	8,864
Purchases of purchased loan portfolios		(23,385)	(33,585)
Net cash used in operating activities	4	(5,943)	(24,721)
Net cash used in investing activities		(30)	(168)
Net cash flow generated by financing activities		(8,991)	34,525
Net (decrease)/increase in cash and cash equivalents		(14,964)	9,636
Cash and cash equivalents at beginning of period		47,520	9,610
Effect of exchange rates on cash and cash equivalents		69	(53)
Cash and cash equivalents at end of period		32,625	19,193

Notes to the Unaudited Consolidated Financial Statements

1. Basis of Preparation

The annual financial statements of Arrow Global Group PLC are considered statements prepared in accordance with IFRSs as adopted by the European Union. The Group's interim results for the 3 months ended 31 March 2014 were approved by the board of directors of the Group (the 'directors') on 22 May 2014, and have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those disclosed in the annual report for the year ended 31 December 2013.

The financial information for the year ended 31 December 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of those accounts has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

2. Going Concern

The financial statements have been prepared under the going concern basis, which the directors believe to be appropriate. The directors are satisfied that the Group has adequate resources to continue to trade for the foreseeable future and the going concern basis continues to be appropriate for preparing the financial statements. In making this assessment, detailed trading forecasts have been prepared which support the going concern assumptions being applied. The decline in the economic climate has seen increased amounts of charged-off, unsecured debt being placed into the marketplace by large financial institutions and this trend looks set to continue for the foreseeable future. This presents an opportunity for the Group to acquire portfolios of debt during this time for purchase considerations significantly lower than the debt's face value.

The current revolving credit facility is £55 million, which remained undrawn for the period to 31 March 2014.

3. Critical Accounting Policies and Estimates

The Group's significant accounting policies are described below. The application of these accounting policies requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for turnover and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. On an ongoing basis, we evaluate our estimates, which are based on historical experience and market and other conditions, and on assumptions that we believe to be reasonable. We have chosen to highlight certain policies that we consider critical to the operations of our business and understanding our consolidated financial information. The following areas are considered to involve a significant degree of judgment or estimation.

a) Revenue recognition

Purchased loan portfolios are financial instruments that are accounted for under IAS 39 and are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a purchased loan portfolio and of allocating interest income over the expressed life of the portfolio; the allocated interest income is recorded as income from purchased loan portfolios in the Financial Statements. The EIR is the rate that exactly discounts estimated future purchased portfolio cash receipts through the expected life of the purchased portfolio asset. The EIR is determined as at the time of purchase of the loan portfolio and then reassessed and adjusted up to 12 months after the purchase of the loan portfolio to reflect refinements made to our estimates of future cash flows based on enhanced data and analysis considered during that time period. This adjustment has historically not resulted in any material impact on income from purchased loan portfolios. When an individual portfolio's carrying value is completely recovered, we recognize any subsequent collections as revenue as it is received. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. Further explanation is given in c) below.

Upward revaluations ('uplifts') are recognized as revenue. Subsequent reversals of such uplifts are recorded in the revenue line. If such reversals exceed cumulative revenue recognized to date, a provision for impairment is recognized which is reflected as a separate income statement line item.

b) Impairment of purchased loan portfolios

The portfolios are reviewed for any possible indications of impairment at the balance sheet date in accordance with IAS 39. Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio and is included in income from purchased loan portfolios. Where portfolios have been newly acquired, the Company identifies an incubation period, during which time the portfolio is reviewed for signs of impairment but for which the EIR is not formally set. The incubation period lasts for no more than 12 months subsequent to the acquisition date of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy. The estimation of cash flow forecasts is a key estimation uncertainty fundamental within this critical accounting policy. Further explanation is given in c) below.

c) Estimation of cash flow forecasts

Estimates of cash flows that determine the effective interest rate are established for each purchased portfolio over 12 months old and are based on our collection history with respect to portfolios comprising similar attributes and characteristics such as date of purchase, original credit grantor, type of receivable, customer payment histories, customer location, and the time since the original charge-off. Revaluations of portfolios are based on the rolling 84-month estimated remaining collections ('ERC') at the revaluation date. This ERC is updated with the Core Collections experience to date on a monthly basis using a proprietary model. ERC represents an estimate of the undiscounted cash value of our purchased loan portfolios at a point in time.

4. Reconciliations to Adjusted EBITDA

Reconciliation of Net Cash Flow to EBITDA

	3 months ended 31 Mar 2014 £000	3 months ended 31 Mar 2013 £000
Net cash flow used in operating activities	(5,943)	(24,721)
Purchases of loan portfolios	23,385	33,585
Proceeds from disposal of loan portfolios	(1,494)	-
Income taxes paid	1,443	1,087
Working capital adjustments	1,713	(361)
Profit on disposal of purchased loan portfolios	504	-
Foreign exchange	69	(205)
Amortisation of acquisition and bank facility fees	69	231
Interest payable	-	720
Other	-	(160)
Exceptional items	2,559	8,795
Adjusted EBITDA	22,305	18,971

Reconciliation of Core Collections to EBITDA

	3 months ended 31 Mar 2014 £000	3 months ended 31 Mar 2013 £000
Income from loan portfolios	21,787	19,029
Portfolio amortisation	10,018	8,324
Core collections	31,805	27,353
Profit on portfolios	504	-
Other income	798	375
Operating expenses	(14,219)	(17,758)
Depreciation and amortisation	196	180
Foreign exchange	158	(205)
Amortisation of acquisition and bank facility fees	69	231
Exceptional costs	2,994	8,795
Adjusted EBITDA	22,305	18,971

4. Reconciliations to Adjusted EBITDA *(continued)*

Reconciliation of Operating Profit to EBITDA

	3 months ended 31 Mar 2014 £000	3 months ended 31 Mar 2013 £000
Profit for the period attributable to equity shareholders	2,210	(1,133)
Interest expense	5,206	5,052
Taxation charge on ordinary activities	1,310	337
Exceptional items	3,138	8,795
Operating profit (pre-exceptionals)	11,864	13,051
Portfolio amortisation	10,018	8,324
Portfolio write-up	-	(2,610)
Depreciation and amortisation	196	180
Foreign exchange	158	(205)
Amortisation of acquisition and bank facility fees	69	231
Adjusted EBITDA	22,305	18,971

Exceptional items:

	£000	£000
Operating exceptionals (excluding share based payments)	2,559	8,795
Share based payments	435	-
Operating exceptionals	2,994	8,795
Finance cost exceptionals	144	-
	3,138	8,795

5. Underlying net income¹

	3 months ended 31 Mar 2014 £000	3 months ended 31 Mar 2013 £000
Profit after tax	2,210	(1,133)
Exceptional items	3,138	8,795
Tax impact of exceptional items	(126)	(2,045)
	5,222	5,617

¹ See page 6 for understanding

6. Finance costs

	3 months ended 31 Mar 2014 £000	3 months ended 31 Mar 2013 £000
Interest on minority interest loans	-	31
Interest on bank loans	(7)	701
Interest on senior secured notes	4,272	2,962
Other interest	144	19
Shareholder interest expense	-	1,291
Total interest expense	4,409	5,004
Fair value losses on interest rate swaps	155	48
Amortisation of financing costs	786	-
Finance costs (including exceptional items)	5,350	5,052
Exceptional items	(144)	-
Finance costs (excluding exceptional items)	5,206	5,052

7. Trade and other payables

	At 31 March 2014 £000	At 31 December 2013 £000
Trade payables	2,889	4,375
Current tax liability	2,927	2,894
Deferred consideration	12,620	2,979
Other liabilities and accruals	3,993	2,774
	22,429	13,022

8. Purchased loan portfolios

	3 months ended 31 Mar 2014 £000	Year ended 31 December 2013 £000
As at the start of the period	273,932	208,171
Portfolios acquired during the period ¹	33,319	84,308
Portfolios acquired through acquisition of a subsidiary	-	18,301
Collections in the period	(31,805)	(127,840)
Income from purchased loan portfolios	21,787	87,330
Exchange gain on purchased loan portfolios	(270)	161
Disposal of purchased loan portfolios	(990)	(1,342)
Portfolio write up	-	4,843
As at the end of the period	295,973	273,932

¹ March 2014 portfolio acquisitions includes portfolio costs capitalisation of £157,000 (2013: £1,759,000).

9. Senior secured notes and revolving credit facility

In January 2013, Arrow Global Finance plc, a public limited company was incorporated and issued £220,000,000 of senior secured notes with a coupon of 7.875% and a maturity date of 2020.

The senior secured notes can be redeemed in full or in part on or after 1 March 2016 at the Group's option. Prior to 1 March 2016 the Group may redeem, at its option, some or all of the senior secured notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus and applicable "make-whole" premium. The senior secured notes are secured by substantially all of the assets of the Group. Interest is paid bi-annually.

In 2013, the Group renegotiated a revolving credit facility ("RCF") with The Royal Bank of Scotland plc, as security agent for a consortium of participating financial institutions. The revolving credit facility terminates on 28 January 2018 and bears interest at a rate per annum equal to LIBOR or EURIBOR (as applicable) plus certain mandatory costs and a margin of 4.25% per annum, subject to a margin ratchet based on the loan-to-value "LTV" ratio at each quarter end. The RCF remains undrawn as at 31 March 2014.

The principal covenants relating to the revolving credit facility are as follows:

	Covenant	31 March 2014
SSLTV ¹	25%	0.0%
LTV ²	75%	34.3%

¹ Net drawn position of revolving credit facility less cash on balance / 84-Month ERC.

² Net debt / 84-Month ERC.

The Group is also required to pay a commitment fee on available but not utilised or not cancelled commitments under the RCF at a rate of 40% of the applicable margin per annum on the undrawn portion of each lender's commitment. The RCF is secured by the same assets as the senior notes. Interest is paid based on agreement when the facility is drawn down, either payable every one, three or six months.