
Arrow Global Limited

Report and Financial
Statements
December 31, 2006

UK Registered No. 5606545

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Arrow Global Limited
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Arrow Global Limited

Registered in England and Wales No: 5606545

Directors

Zach Lewy (appointed 28 October 2005)

Jack Lavin (appointed 28 October 2005)

Steven Wilansky (appointed 1 February 2007)

Joseph Freda (appointed 1 February 2007)

Secretary

Jordans Company Secretaries Ltd

Auditors

PricewaterhouseCoopers

Hays Galleria

1 Hays Lane

London

SE1 2RD

Registered Office

20-22 Bedford Road

London

WC1R 4JS

Arrow Global Limited

Directors' report

The directors present their report and audited financial statements for the period 28 October 2005 (being date of incorporation) to 31 December 2006

Results and business review

Arrow Global Limited's (the 'Company'), results for the period of October 28 2005 to December 31, 2006 are shown on page 8. The directors are satisfied with the performance of the company in its first period of trading.

The Company's principal activity is the acquisition and management of underperforming portfolios of loans. This business is carried out by the company's subsidiary companies which were set up during the period.

There are no immediate plans for any other business activities by the company.

The directors do not deem it necessary to monitor the business using Key Performance Indicators and as such none have been disclosed here.

Directors and their interests

The directors of the company during the period are shown on page 2. No director has any interest in shares of the company.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

Risk management

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. Further information regarding the company's approach to financial instruments is set out in note 3.

Arrow Global Limited

Directors' report

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable UK law.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Political and charitable contributions

The company made no political or charitable contributions during the year.

Auditors

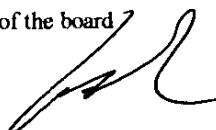
During the period, PricewaterhouseCoopers were appointed auditors.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARROW GLOBAL LIMITED

We have audited the financial statements of Arrow Global Limited for the period ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its loss and cash flows for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
22 November 2007

ARROW GLOBAL LIMITED

BALANCE SHEET

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

		December 31, 2006
	Notes	
Assets		
Non-current assets		
Purchased loan portfolios	8	£ 8,794,641
Secured loan notes	8	696,320
Investment in associated undertakings	14	9,602
Current assets		
Cash and cash equivalents	2	545,346
Restricted cash	2	517,952
Prepayments	8	38,308
Due from related party	13	232,594
Secured loan notes	8	389,492
Total assets		<u>£11,224,255</u>
Equity		
Ordinary shares, par value £1 per share, 10,000 shares authorised, 2 issued and outstanding	11	£ 2
Share premium	11	990,190
Retained earnings (deficit)		<u>(600,924)</u>
Total equity		<u>389,268</u>
Liabilities		
Non-current liabilities		
Purchased loan portfolio financing	10	£5,831,911
Current liabilities		
Trade payables and other liabilities	9	649,624
Due to related party	13	1,154,668
Purchased loan portfolio financing	10	3,198,784
Total liabilities		<u>10,834,987</u>
Total equity and liabilities		<u>£ 11,224,255</u>

See accompanying notes to the financial statements

ARROW GLOBAL LIMITED

BALANCE SHEET

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

The notes on pages 11 to 19 are an integral part of these financial statements. The financial statements on pages 6 to 19 were approved by the Board of Directors on November 21, 2007 and were signed on its behalf by

Director



Date

November 21, 2007

See accompanying notes to the financial statements

ARROW GLOBAL LIMITED
STATEMENT OF INCOME (LOSS)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

			Period from incorporation date of October 28, 2005 through December 31, 2006
	Notes		
Revenue			
Income from purchased loan portfolios	8	£	624,397
Interest income from secured loan notes	8		73,524
Interest income	2		12,058
Other income	8		31,025
Total revenue		£	<u>741,004</u>
Operating expenses			
Auditors' remuneration	6	£	26,801
Employee benefit cost	5		233,502
Operating lease rentals	6		24,648
Other expenses			865,750
Total operating expenses		£	<u>1,150,701</u>
Operating Loss			(409,697)
Interest expense	10		191,227
Loss before income taxes			(600,924)
Taxation on ordinary activities	7		-
Net Loss		£	<u>(600,924)</u>

All of the activity during the period is in respect of continuing operations

The notes on pages 11 to 19 are an integral part of these financial statements

See accompanying notes to the financial statements

ARROW GLOBAL LIMITED

STATEMENT OF CHANGES IN EQUITY

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

	Notes	Ordinary Shares	Share Premium	Retained Earnings	Total
Balance at October 28, 2005		£ -	£ -	£ -	£ -
Net loss		-	-	(600,924)	(600,924)
Proceeds from shares issued	11	<u>2</u>	<u>990,190</u>	<u>-</u>	<u>990,192</u>
Balance at December 31, 2006		<u>£ 2</u>	<u>£ 990,190</u>	<u>£ (600,924)</u>	<u>£389,268</u>

See accompanying notes to the financial statements

ARROW GLOBAL LIMITED
STATEMENT OF CASH FLOWS

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

	Notes	Period from incorporation date of October 28, 2005 through December 31, 2006
Cash flows from operating activities		
Net loss		£ (600,924)
Adjustments to reconcile net income to net cash provided by operating activities		
Increase in interest and management fee receivable on secured loan notes	8	(44,525)
Increase in prepayments	8	(38,308)
Increase in due from related party	13	(232,594)
Increase in trade and other payables	9	649,624
Increase in due to related party	13	25,056
Net cash used by operating activities		(241,671)
Cash flows from investing activities		
Increase in restricted cash	2	(517,952)
Secured loan notes made to third party	8	(1,121,892)
Payments of secured loan notes from third party	8	80,605
Purchases of purchased loan portfolios	8	(9,259,445)
Collections applied to principal on purchased loan portfolios	8	464,804
Contribution to associates undertakings	14	(9,602)
Net cash used in investing activities		(10,363,482)
Cash flows from financing activities		
Proceeds from parent for secured loan note financing	10	1,129,612
Proceeds from purchased loan portfolio financing	10	9,345,724
Payments on purchased loan portfolio financing	10	(315,029)
Proceeds from issuance of ordinary shares	11	990,192
Net cash provided by financing activities		11,150,499
Net increase in cash and cash equivalents		545,346
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year		£ 545,346

See accompanying notes to the financial statements

ARROW GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Information at December 31, 2006 and for the period from the incorporation

date of October 28, 2005 through December 31, 2006)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

1. General information

Arrow Global Limited (the "Company") is a wholly owned subsidiary of Arrow Global (Holdings) Limited. The Company is a limited liability company incorporated in Great Britain, its registered office is 20-22 Bedford Road, London, WC1R 4JS. Arrow Global (Holdings) Limited is a wholly-owned subsidiary of Arrow Financial International LLC ("AFI"), registered in USA. The ultimate parent company and controlling party is SLM Corporation ("SLM" or the "Ultimate Parent Company") (NYSE: SLM), incorporated in the USA. Copies of the group financial statements of SLM may be obtained from 12061 Bluemont Way, Reston, Virginia, USA.

The Company acquires defaulted consumer receivables from credit grantors or resellers and then focuses its collection efforts to cover its investment and earn a sufficient return from the purchased portfolio.

The Company's financial statements were authorised for issue by the Directors of the Company on November 21, 2007.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The accompanying financial information has been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as adopted by the European Union ("EU"). The accompanying financial information includes the accounts of the Company and is presented in accordance with the Companies Act 1985.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Key accounting policies that include significant judgments and estimates are disclosed in more detail in Note 3 "Critical Accounting Estimates and Judgments."

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2006 but are not relevant to the Company's operations:

- International Accounting Standards ("IAS") 21 (Amendment), "Net Investment in a Foreign Operation"
- IAS 39 (Amendment), "Cash Flow Hedge Accounting of Forecast Intragroup Transactions"
- IAS 39 (Amendment), "The Fair Value Option"
- IAS 39 and IFRS 4 (Amendment), "Financial Guarantee Contracts"
- IFRS 1 (Amendment), "First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources"
- IFRS 6, "Exploration for and Evaluation of Mineral Resources"
- International Financial Reporting Interpretations Committee ("IFRIC") 4, "Determining whether an Arrangement contains a Lease"
- IFRIC 5, "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" and
- IFRIC 6, "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"

ARROW GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Information at December 31, 2006 and for the period from the incorporation

date of October 28, 2005 through December 31, 2006)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after May 1, 2006 or later periods but are not relevant for the Company's operations

- IFRIC 7, "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies" (effective from 1 March 2006) IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As the Company does not have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Company's operations, and
- IFRIC 8, "Scope of IFRS 2" (effective for annual periods beginning on or after May 1, 2006) IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Company does not issue equity instruments, hence, IFRIC 8 is not relevant to the Company's operations, and
- IFRIC 9, "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after June 1, 2006) IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company has not entered into any embedded derivatives, therefore, IFRIC 9 is not relevant to the Company's operations, and
- IFRIC 10, "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after November 1, 2006) IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. IFRIC 10 is not relevant to the Company's operations

Revenue recognition

Income from Loan Portfolios

In accordance with IAS 39, paragraph 9, the Company recognizes revenue from purchased loan portfolios using an effective interest method. The use of the effective interest method requires the Company to estimate future cash flows from the loans at the date of purchase. Estimates of cash flow that determine the effective yield are established for each purchased portfolio and are based on the Company's collection history with respect to portfolios of similar attributes and characteristics (typically based on date of purchase, original credit grantor, type of receivable, and time since original charge-off).

At the time of purchase, the Company estimates monthly cash flows of each portfolio and calculates a constant level yield for the portfolio's anticipated economic life. Once a specific portfolio's cost basis is completely recovered, the Company recognizes any additional collections as revenue. The Company revalues its estimated monthly cash flows on a quarterly basis. If the newly determined yield is higher than previously calculated, the yield is adjusted upward to achieve a new constant effective yield over the estimated remaining economic life of the pool. Conversely, if the newly determined yield is lower than previously calculated, an adjustment is recorded to the pool basis such that the newly estimated cash flows will achieve the same yield as previously determined. Such an adjustment to the pool balance is recorded as an immediate impairment to the recorded portfolio investment and the impairment amount is included in income from loan portfolios.

ARROW GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Information at December 31, 2006 and for the period from the incorporation

date of October 28, 2005 through December 31, 2006)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

Interest income from secured loan notes

The Company has entered into a lending arrangement with a third party to provide capital to purchase non-performing consumer debt portfolios (See Note 8). Interest income is recognized on a time-proportion basis using the effective interest method.

Financial assets

The Company's purchased loan portfolios and the secured loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as "purchased loan portfolios" and "secured loan notes" in the balance sheet. Such assets are carried at amortized cost using the effective interest method, as described above.

A typical purchased loan portfolio consists of receivables that have been written off as uncollectible by the originating creditor and which may have been subject to previous collection efforts. The Company purchases all portfolios at a substantial discount from their face amounts.

Cash and cash equivalents

Cash and cash equivalents include cash accounts and all highly liquid investments with a maturity of three months or less.

Restricted Cash

The Company records collections related to the Company's purchased loan portfolio financing (see Note 10), as restricted cash with an offsetting liability to reflect the amounts due to investors in the accompanying balance sheet.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3. Financial risk management

The main risks arising from the Company financial instruments are interest rate risk, liquidity risk, credit risk, and foreign currency risk. The Directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Company borrows in the desired currencies at floating rates, and uses the funds to acquire loan portfolios.

Liquidity risk

The Company actively monitors its liquidity and cash flow position to ensure it has sufficient cash and lines of credit in order to fund its activities.

Foreign currency risk

Foreign currency exposures are managed on a group basis by the Ultimate Parent Company's treasury function to ensure that the Company is not exposed to unauthorised currency risks.

ARROW GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Information at December 31, 2006 and for the period from the incorporation

date of October 28, 2005 through December 31, 2006)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

Credit risk

Credit risk is one factor considered when loan portfolios are acquired and assessment is made of the expected return on the acquisition. The Company monitors credit risk throughout the loan portfolios' economic life.

Fair value of financial assets and financial liabilities

The carrying amount in the balance sheet approximates fair value for the following financial instruments: purchased loan portfolios, secured loan notes, investment in associates undertakings, cash and cash equivalents, restricted cash, prepayments, due from/(to) related party, purchased loan portfolio financing, and trade payables and other liabilities.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

The Company makes estimates of the anticipated future return on its purchased loan portfolios when calculating the revenue from the portfolios recognised in the year. These estimates are based on projections of future cash flows.

5. Employee benefits

Wages and salaries	£226,606
Social security costs	6,896
	<hr/>
	£233,502

The monthly number of persons employed by the Company during the period, excluding directors, was five.

6. Other expenses

These include:

Auditors' remuneration - fee payable to the company's auditor for the audit of the company's annual accounts	£26,801
Operating lease rentals for property	24,648
Directors' remuneration	-

The company's business operations are based in the United Kingdom.

ARROW GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Information at December 31, 2006 and for the period from the incorporation

date of October 28, 2005 through December 31, 2006)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

7. Income taxes

The effective tax rate for the year ended 2006 is lower than the standard rate of corporation tax in the UK of 30%
The differences are set out below

Profits Before Tax	£	(600,924)
Tax charge at standard UK corporation tax rate of 30%	£	(180,277)
Deferred tax assets not recognized		180,277
Overall tax charge	£	-
Effective Tax Rate		0%
Tax charge for the period from incorporation date of October 28, 2005 through December 31, 2006 consists of		
Current tax charge:		
Current Year	£	-
Total Current	£	-
Deferred tax charge/(credit):		
Origination and reversal of temporary differences (a)	£	-
Total deferred	£	-
Net Tax Charge	£	-

(a) Deferred Tax Assets were not recorded as it is not probable that future taxable profits will be available to utilise the benefits

The Company has tax loss carryforwards of £600,924 that do not expire under current legislation. Deferred tax assets have not been recognised for this loss carryforward because it is not probable that future taxable profit will be available against which the company can utilise the benefits

8. Financial assets

	<i>Current</i>	<i>Non-current</i>	<i>Total</i>
Purchased loan portfolios	£ -	£ 8,794,641	£ 8,794,641
Secured loan notes	389,492	696,320	1,085,812
Prepayments	38,308	-	38,308
	£ 427,800	£ 9,490,961	£ 9,918,761

ARROW GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Information at December 31, 2006 and for the period from the incorporation

date of October 28, 2005 through December 31, 2006)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

There was no impairment of the loan portfolio charged in the period as part of income from loan portfolios

Secured loan notes

The secured loan notes of £1,121,892 were made to a third party company to provide capital for the third party to purchase non-performing consumer debt portfolios. The loan notes are comprised of a secured senior note and a secured mezzanine note both of which carry interest at a rate based on LIBOR, are repayable in monthly instalments, and mature on May 22, 2016. The loan notes are secured on the acquired debt portfolios. For the period from incorporation date of October 28, 2005 through December 31, 2006, interest income was £73,524 and other income, which represents management fees earned by the Company was £31,025 related to the secured loan notes.

Purchased loan portfolios

As discussed in Note 2, the Company recognizes income from purchased loan portfolios in accordance with IAS 39. As of December 31, 2006, the carrying amount of the purchased loan portfolios was £8,794,641 with an outstanding balance of approximately £110,754,154. Changes in purchased loan portfolios for the period from the incorporation date of October 28, 2005 through December 31, 2006 were as follows:

Acquired in period at cost (net of buybacks)	£	9,259,445
Collections in period		(1,089,201)
Portfolio income recognised		624,397
	£	<u>8,794,641</u>

9. Trade and other payables

Trade payables	£	432,355
Taxation and social security		13,382
Other creditors		120,819
Other liabilities		9,346
Accruals		<u>73,722</u>
	£	<u>649,624</u>

There is no material difference between the above amounts for trade and other payables and their fair value due to their short term duration.

10. Purchased loan portfolio financing

Purchased loan portfolio financing represents loans obtained to finance the Company's portfolio purchases. During the period from the incorporation date of October 28, 2005 through December 31, 2006, financing for such purchases was provided by third parties as described below.

On September 22, 2006, AFI entered into an agreement with Chase, for a warehouse line-of-credit facility agreement ("Multicurrency Facility") to fund the Company's acquisition of distress consumer loan portfolios. Under the terms of the Multicurrency Facility, Chase makes loans to the Company for up to 100% of the aggregate purchase price of loan portfolios, up to a maximum aggregate outstanding advance of £26,471,000 with a variable interest rate equal to LIBOR or Euro Interbank Offered Rate ("EURIBOR") plus 50 basis points. On December 21, 2006, the Multicurrency Facility was amended and increased to £31,571,000 of capacity. Interest expense for the period from the incorporation date of October 28, 2005 through December 31, 2006 was £191,227. Accrued but unpaid interest as of December 31, 2006 was £20,208. As of December 31, 2006, the Company had

ARROW GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Information at December 31, 2006 and for the period from the incorporation

date of October 28, 2005 through December 31, 2006)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

£9,030,695 outstanding under the Multicurrency Facility Collateral for the outstanding Multicurrency Facilities consist of the specific portfolios purchased using the proceeds from the facilities

On September 25, 2006, AFI entered into an unsecured agreement ("Sterling Facility") with HSBC Bank ("HSBC") Under the terms of the Sterling Facility, HSBC would make loans to the Company for up to £15,000,000 with a variable interest rate based on HSBC's Currency Base Rate, which is based on LIBOR, and varied depending on whether draws were made on demand or under prior notice to HSBC The Sterling Facility was fully guaranteed by SLM For the period from the incorporation date of October 28, 2005 through December 31, 2006 the Company did not borrow from the Sterling Facility

Purchased loan portfolio financing consists of bank loans, which are all denominated in sterling, are repayable as follows

Within 1 year	£	3,198,784
1 to 2 years		2,680,089
2 to 3 years		1,639,625
3 to 4 years		748,298
Greater than 4 years		763,899
	£	<u>9,030,695</u>

11. Share capital

	<i>Authorised</i>	<i>Called up and paid</i>
Ordinary shares of £1 each	<u>£10,000</u>	<u>£2</u>

During the period, two ordinary shares of £1 were issued for a consideration of £990,192 For the period from the incorporation date of October 28, 2005 through December 31, 2006, the Company recognised a net loss, resulting in a retained deficit of £600,924 as noted in the accompanying balance sheet

12. Lease commitments

The Company had the following commitments in respect of a non-cancellable operating lease for property

Within 1 year	£	56,400
Between 1 and 2 years		37,600
	£	<u>94,000</u>

Actual rent paid during 2006 was £24,648

ARROW GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Information at December 31, 2006 and for the period from the incorporation

date of October 28, 2005 through December 31, 2006)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

13. Related party transactions

The following transactions took place with related parties. The balances arose from expenses paid by related parties.

	<i>SLM Corporation</i>	<i>Arrow Financial International LLC</i>	<i>Arrow Global (Holdings) Limited</i>	<i>Total</i>
Loan from parent	£ -	£ 1,129,612	£ -	£ 1,129,612
Due (from) related party	-	-	(232,594)	(232,594)
Due to related party	13,050	12,006		25,056
	£ 13,050	£ 1,141,618	£ (232,594)	£ 922,074

Arrow Financial International LLC made an unsecured loan of £1,129,612 to the Company during the period. This loan has no fixed date of repayment and bears interest at 0.50% above LIBOR.

The Ultimate Parent Company has committed to provide additional funding to meet the Company's future liquidity needs.

14. Investment in associated undertakings

Associated undertakings established during period at cost £9,602

The associated undertakings comprise the following

<i>Name</i>	<i>Percentage of equity held</i>	<i>Country of registration</i>
Strzala Sp z o o	10	Poland

The nature of business for this associate is the acquisition and management of underperforming loans.

15. Sale of SLM

On April 16, 2007, SLM announced that a buyer group ("Buyer Group") led by J.C. Flowers & Co. ("J.C. Flowers") signed a definitive agreement ("Merger Agreement") to acquire SLM for approximately \$25.3 billion or \$60.00 per share of common stock (the "SLM Acquisition"). Under the terms of the Merger Agreement, J.C. Flowers and certain other private equity investors, including Friedman, Fleischer & Lowe, would, upon consummation, invest approximately \$4.4 billion and own 50.2%, and Bank of America (NYSE: BAC) and JPMorgan Chase (NYSE: JPM) ("Chase") each would, upon consummation, invest approximately \$2.2 billion and each will own 24.9% of the surviving entity. The remainder of the purchase price is anticipated to be funded by debt. SLM's independent board members unanimously approved the agreement and recommended that its shareholders approve the agreement. SLM's shareholders approved the Merger Agreement at a special meeting of shareholders held on August 15, 2007. (See also "Merger Agreement" filed with the SEC on SLM's Current Report on Form 8-K, dated April 18, 2007.) Pursuant to the Merger Agreement, SLM was not permitted to pay dividends on its common stock prior to the consummation of the proposed transaction. This restriction has been terminated. See below.

The termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, was granted on June 18, 2007. On June 1, 2007, the Buyer Group filed with the Federal Deposit

ARROW GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Information at December 31, 2006 and for the period from the incorporation

date of October 28, 2005 through December 31, 2006)

(Amounts disclosed in actual pounds sterling, unless otherwise noted)

Insurance Corporation ("FDIC") its Interagency Notice of Change in Control with respect to the SLM Bank. As of the date of this Report, the FDIC has not acted on that notice.

On July 11, 2007, SLM announced that the Buyer Group informed SLM that it believed that legislative proposals then pending before the U S House of Representatives and U S Senate could result in a failure of the conditions to the closing of the Merger to be satisfied.

On September 26, 2007, J C Flowers & Co, on behalf of itself and the Buyer Group, asserted that the Buyer Group believed that the conditions to closing under the Merger Agreement, if the closing were to occur on that day, would not be satisfied as a result of changes in the legislative and economic environment.

On October 2, 2007, the Buyer Group again asserted that it believed that, if the conditions to the closing of the Merger were required to be measured on that day, the conditions to the Buyer Group's obligation to close would not be satisfied, asserted that a "Material Adverse Effect" (as defined in the Merger Agreement) had occurred and made a proposal to acquire SLM at a significantly lower price and upon substantially different terms instead of honoring its obligations under the Merger Agreement. On October 3, 2007, SLM notified the Buyer Group that all conditions to closing of the Merger had been satisfied, and set November 5, 2007 as the closing date of the Merger. In response, the Buyer Group sent a letter to SLM on October 8, 2007 asserting that the conditions to closing of the Merger had not been satisfied because of, among other things, the alleged occurrence of a Material Adverse Effect under the terms of the Merger Agreement.

On October 8, 2007, SLM filed a lawsuit in the Delaware Court of Chancery against the Buyer Group, which includes J C Flowers & Co, JPMorgan Chase, and Bank of America. The lawsuit seeks a declaration that the Buyer Group repudiated the Merger Agreement, that no Material Adverse Effect has occurred and that SLM may terminate the agreement and collect the \$900 million termination fee. On October 12, 2007, SLM requested an expedited trial. On October 15, 2007, the Buyer Group filed an answer and counterclaims and filed a response opposing SLM's request for an expedited trial. On October 22, 2007, the Court held a scheduling conference to set a schedule for trial. Pursuant to the Court's directions at the scheduling conference, effective October 23, 2007, the Buyer Group waived the SLM's obligation under the Merger Agreement to comply with, among other things, the covenants that limited the conduct of SLM's business. SLM and Buyer Group have since served discovery requests on 42 each other. Under guidance from the Delaware Court of Chancery at a scheduling hearing on November 5, 2007, SLM has elected to pursue an expedited decision on its October 19, 2007 motion for partial judgment on the pleadings. Specifically, SLM is seeking an expedited ruling that its interpretation of the Merger Agreement as it pertains to a Material Adverse Effect is the correct interpretation. The effect of this election will be that trial is expected to commence on an undetermined date after November 27, 2008 rather than in mid-July 2008.

The Company relies significantly on funding from SLM and is therefore susceptible to impact from financing/accounting considerations related to the merger.