

CIT VENDOR FINANCE (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2006

Registered Number 3088213

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CIT Vendor Finance (UK) Ltd

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

| CONTENTS | Page |
|---|-------------|
| Report of the Directors | 3-4 |
| Statement of the Directors responsibilities | 5 |
| Report of the auditors | 6-7 |
| Profit and loss account | 8 |
| Balance sheet | 9 |
| Notes to the financial statements | 10-20 |

CIT Vendor Finance (UK) Ltd

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements of CIT Vendor Finance (UK) Ltd ("the Company") for the year ended 31 December 2006

Principal activities and business review

The company and its subsidiaries provide a range of leasing and financing services including operating and finance leases and hire-purchase contracts to small/medium sized enterprises in the medical, construction and print sectors, to NHS trusts, banks, financial institutions, large corporations and local authorities. Leasing programmes are marketed in conjunction with vendors, manufacturers and dealers specialising in the medical and construction industries. The active partnerships are with the following vendors: BTG, AVAYA, KODAK, MICROSOFT, C&I

Results and dividends

For the year ended 31 December 2006 the company made a loss of £0.9 million (2005: £0.2 million). No interim dividends were paid by the Company during the year and the Directors do not recommend the payment of a final dividend in respect of the year (2005: nil). The loss for the year has been transferred to reserves.

Future developments

The Company will continue to take advantage of opportunities for the further development of the business.

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in force in the United Kingdom at 31 December 2006 and the Statements of Recommended Accounting Practice "Accounting issues in the asset finance and leasing industry". CIT Vendor Finance (UK) Limited is a wholly owned subsidiary of CIT Group Inc, which is incorporated in the United States of America. CIT Vendor Finance (UK) Limited is included in the audited consolidated financial statements of CIT Group Inc for the year ended 31 December 2006 which were drawn up in a manner equivalent to financial statements drawn up in accordance with the EU Seventh Directive.

Financial risk management

The company's activities expose it to a variety of financial risks.

Credit Risk

The company performs ongoing credit evaluations of its customers and evaluates past-due payment status in its determination of the need for specific customer allowances on its accounts receivable.

Foreign Exchange Risk

The Company has no material exposure to foreign exchange risk as the majority of the balances are in GBP.

Residual Value

The company has finance lease contracts which have residual values on completion of contract term. These residual values are monitored and reviewed on an ongoing basis by End of lease team management, who report on residual realisation on a European basis.

Liquidity Risk

The company has exposure to liquidity risk which is being managed by obtaining funds through inter-company loans from CIT Group Inc.

CIT Vendor Finance (UK) Ltd

REPORT OF THE DIRECTORS

Interest Rate Risk

The majority of the company's interest bearing assets and liabilities are floating rate with exception of lease / HP balances. The company monitors the level of interest rate risk on an ongoing basis.

Events after balance sheet date

On the first of January 2007 the Company executed the acquisition of a portfolio of leasing contracts from Barclays group for the net book value of £454.2 million.

Directors and their interests

The names of those Directors who held office during the course of 2006 and to date were as follows:

Terry Kelleher (Resigned on 27/03/06)
Neil Sawbridge (Resigned on 27/03/06)
Cormac Costelloe
Melvin Missen (Resigned on 30/05/08)
Ivor Dorkin (Appointed on 01/12/06)
Colin Keane (Appointed on 13/06/07)
Graham McWilliams (Appointed on 30/05/08)

Under Statutory Instrument No 802 (1985) the Company is exempt from the requirement to report directors' interests on the ground that the company is wholly owned by an overseas company.

Registered Office

On 13 June 2006 the registered office changed from Peninsular House, 36 Monument Street London to 2A High Street Bracknell, Berkshire RG12 1AA.

Auditors

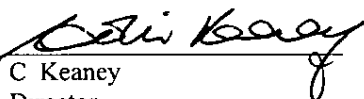
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Auditors and disclosure of information to auditors

(a) In so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



C Keane
Director
July 31st 2008

CIT Vendor Finance (UK) Ltd

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable 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.

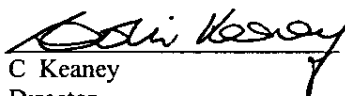
In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



C. Keane

Director

July 31st 2008

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIT VENDOR FINANCE (UK) LIMITED

We have audited the financial statements of CIT Vendor Finance (UK) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 are 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. We also 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIT VENDOR FINANCE (UK)
LIMITED - continued**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year 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
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

31 July 2008

CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

| | Note | 2006 £000's | 2005 £000's |
|--|-------|----------------|----------------|
| Turnover | 2 | 38,082 | 37,831 |
| Cost of sales | 4 | (10,142) | (12,656) |
| Gross Profit | | 27,940 | 25,175 |
| Administrative costs | | (9,785) | (9,487) |
| Depreciation | 10 | (20,293) | (14,900) |
| Exceptional items | 3 | (825) | (752) |
| Operating loss | | (2,963) | 36 |
| Gains and loss on disposal of investment | 11(b) | 1,531 | 1,727 |
| Write down on investment | 11(b) | - | (2,617) |
| Interest receivable and similar income | | 8 | 201 |
| Exchange gain | | 60 | 480 |
| Loss on ordinary activities before taxation | | (1,364) | (173) |
| Tax credit / (charge) on loss on ordinary activities | 8 | 475 | (41) |
| Loss on ordinary activities after taxation | | (889) | (214) |

The company has no recognised gains or losses other than the loss for the financial year, which is reported in the profit and loss account

There is no material difference between the profit on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

All losses related to continuing operations

The notes on pages 10 to 20 form part of these financial statements

CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

BALANCE SHEET

As at 31 December 2006

| | Note | 2006 £ 000's | 2005 £ 000's |
|--|------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible fixed assets | 10 | 54,428 | 59,250 |
| Investments in subsidiaries | 11 | 22,232 | 28,450 |
| | | <u>76,660</u> | <u>87,700</u> |
| Current assets | | | |
| Cash at bank | | 2,157 | 2,225 |
| Debtors due within one year | 12 | 47,611 | 17,358 |
| Debtors Due after one year | 12 | 178,425 | 159,785 |
| Deferred Tax | 14 | 18,327 | 20,149 |
| | | <u>246,520</u> | <u>199,517</u> |
| Creditors: Amounts falling due within one year | 15 | (264,412) | (227,225) |
| Net current liabilities | | <u>(17,892)</u> | <u>(27,708)</u> |
| Total assets less current liabilities | | <u>58,768</u> | <u>59,992</u> |
| Creditors amounts falling due after more than one year | | - | - |
| Provisions for liabilities and charges | 16 | (4,126) | (4,461) |
| | | <u>54,642</u> | <u>55,531</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 30,278 | 30,278 |
| Share premium reserve | 19 | 50,000 | (50,000) |
| Profit and loss account | 19 | (25,636) | (24,747) |
| | | <u>54,642</u> | <u>55,531</u> |

The notes on pages 10 to 20 form part of these financial statements
 Approved by the Directors on July 31st 2008 and signed on their behalf by


 Colin Keaney
 Director

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

The accounting policies which have been applied consistently throughout the current year and the preceding year, are set out below

a) Accounting convention and basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, in force in the United Kingdom at 31 December 2006 and the Statement of Recommended Accounting Practice "Accounting issues in the asset finance and leasing industry". CIT Vendor Finance (UK) Limited is a wholly owned subsidiary of CIT Group Inc which is incorporated in the United States of America. CIT Vendor Finance (UK) Limited and its subsidiary companies are included in the audited consolidated financial statements of CIT Group Inc for the year ended 31 December 2006 which were drawn up in a manner equivalent to financial statements drawn up in accordance with the EU Seventh Directive. Consequently, CIT Vendor Finance (UK) Limited is exempt from preparing and delivering to Companies House group financial statements, and these financial statements present information about it as an individual company and not about its group. The Board has satisfied itself that the Company has adequate resources to continue in operation for the foreseeable future. The Company's financial statements have accordingly been prepared on a going concern basis.

Under the subsidiary undertakings exemption of Financial Reporting Standard No. 8, the Company is not required to disclose all transactions with other group companies and investees of the group qualifying as related parties.

b) Turnover

Turnover which is derived entirely from activities in the United Kingdom comprises of finance income recognised in the period in respect of finance leases, hire purchase contracts and rental receivable on operating lease contracts. It also includes income in respect of early terminations of such types of contracts, gain / losses made on sale of equipment and renewal income.

c) Finance and operating leases

Operating leases

Where the Company leases out equipment for less than its expected useful life or does not transfer substantially all the risks and rewards of ownership, the lease is accounted for as an operating lease. Rental income is taken to the profit and loss account, and the cost of equipment is recorded as a fixed asset and depreciated in accordance with the policy stated in (h) below.

Finance leases

Where the Company leases out equipment and there is a transfer of substantially all of the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease, and the net investment is included in current assets. Income from finance leases is credited to the profit and loss account on a basis that produces a constant periodic rate of return on the outstanding net investment.

Amounts due from lessees on Finance Leases are stated at the total of the minimum lease payments plus residual value less rentals received to date and less finance income allocated to future periods.

Obligations under lease agreements

Assets leased under finance leases are capitalised and depreciated as described in note 1(h). Finance charges are allocated to accounting periods using the sum of the digits method so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

d) Residual values

Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

agreement Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market and technological changes or product enhancements as well as general economic conditions Residual values are set at the commencement of the lease based upon management's expectations of future values During the course of the lease, residual values are reviewed on an annual basis so as to identify any impairment provision required This monitoring takes account of the Company's past history for residual values, current values and projections of the likely future market for each group of assets

Any permanent impairment in the residual value of an asset is identified within such reviews and charged immediately to the profit and loss account

e) Initiation costs

The Company's policy with respect to initiation costs is to write all such costs to the profit and loss account immediately

f) Interest income and expense

All income and expense is recognised on an accruals basis so as to match costs incurred with revenues earned irrespective of when payments are made or received

g) Bad debt provisions

Advances are stated in the balance sheet after deduction of specific provisions for bad and doubtful debts Specific provisions are made as a result of a detailed appraisal of risk assets

h) Tangible fixed assets and depreciation

Depreciation is provided by the Company to write tangible fixed assets down to their estimated residual value as follows

| | |
|---|---------------------------------------|
| Leasehold premises | Straight line over period of lease |
| Fixtures computers and equipment | Straight line over 4 years |
| Assets held for use in operating leases | Actuarial over term of lease contract |

i) Taxation

UK Corporation tax is provided on taxable profits/(losses) at the current tax rate

Deferred tax is provided on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is not discounted

j) Pension costs

The Company participates in a defined contribution pension schemes for employees in the UK, and the scheme is accounted for as such

k) Foreign currencies

Transactions in foreign currency are translated into Sterling at the exchange rate ruling at the date of the transaction Assets and liabilities denominated in foreign currencies are translated into

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

sterling at the exchange rates ruling at the balance sheet date Any foreign exchange differences are taken to the profit and loss account

l) Cash flow statement

As the Company is a wholly owned subsidiary of the CIT Group, Inc , and the cash flows of the Company are included in the consolidated group cash flow statement of the CIT Group, Inc , the Company has taken advantage of the exemption in FRS 1 "Cash flow Statements" (revised 1996)

m) Investments

The investments in subsidiary undertakings are included at cost less amounts written off and less provisions for impairment

n) Acquisition costs

In adherence to FRS 7, acquisition expense to be treated as part of the cost of acquisition include incremental costs such as professional fees paid to merchant banks, accountants, legal advisers, values and other consultants Such expenses exclude any other costs, or allocation of costs, that would still have been incurred had the acquisition not been entered into

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Turnover

Turnover includes the following

| | 2006 £ 000's | 2005 £ 000's |
|----------------------------|-----------------|-----------------|
| Finance lease income | 17,084 | 18,881 |
| Operating lease income | 23,035 | 17,379 |
| Loans/hire purchase income | 380 | 360 |
| Gain and loss on disposals | (3,691) | 170 |
| Other fees | 1,274 | 1,041 |
| | <u>38,082</u> | <u>37,831</u> |

2a Lease rentals

Aggregate rentals receivable in the period were

| | 2006 £ 000's | 2005 £ 000's |
|------------------|-----------------|-----------------|
| Finance leases | 66,772 | 86,837 |
| Operating leases | 22,854 | 17,404 |
| | <u>89,626</u> | <u>104,241</u> |

3. Exceptional items

| | 2006 £ 000's | 2005 £ 000's |
|---|-----------------|-----------------|
| Write-offs of debtor balances not supported | (825) | (752) |
| | <u>(825)</u> | <u>(752)</u> |

4. Cost of Sales

Cost of sales includes interest payable

| | 2006 £ 000's | 2005 £ 000's |
|--------------------------------------|-----------------|-----------------|
| To group undertakings | 10,131 | 12,531 |
| On bank loans and overdrafts | 3 | 125 |
| Finance charges under finance leases | 8 | - |
| | <u>10,142</u> | <u>12,656</u> |

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

| | 2006 £ 000's | 2005 £ 000's |
|-------------------------------|-----------------|-----------------|
| Auditors remuneration | 150 | 150 |
| Staff costs (see note 6) | 2,283 | 3,339 |
| Depreciation | | |
| - Operating Leases | 20,222 | 14,789 |
| - Other tangible fixed assets | 71 | 111 |

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Staff numbers and costs

The average number of people employed by the Company (including directors) during the period was nil (2005 52), the Company transferred its employees to the payroll books of fellow subsidiary CIT Group UK Ltd, the latter being the company designated to manage payroll records and group tax arrangements for all the UK subsidiaries of CIT Group Inc

The aggregate payroll costs as allocated by CIT Group UK Ltd on the basis of cost centres / product codes related to CIT Vendor Finance (UK) Ltd were as follows

| | 2006 £ 000's | 2005 £ 000's |
|---------------------|-----------------|-----------------|
| Wages & salaries | 2,050 | 2,844 |
| Social security | 233 | 443 |
| Other pension costs | - | 52 |
| | <u>2,283</u> | <u>3,339</u> |

7 Directors' emoluments

Directors' emoluments in respect of services to the company were as follows

| | 2006 £ 000's | 2005 £ 000's |
|---|-----------------|-----------------|
| Aggregate emoluments (excluding pension contributions) | - | 231 |
| Company pension contributions to money purchase schemes | - | 6 |

The number of directors to whom retirement benefits are accruing in respect of qualifying services was

| | | |
|---------------------------|---|---|
| - Money purchase schemes | - | 1 |
| - defined benefit schemes | - | - |

Number of directors

| | | |
|--|---|---|
| - exercising share options during the year | - | - |
|--|---|---|

Directors' remuneration is fully borne by other entities in the group

No director or member of his immediate family holds or exercised during the year any share options which require disclosure under the provisions of the Companies Act 1985

8. Taxation

a Analysis of the tax charge in the year

| | 2006 £ 000's | 2005 £ 000's |
|--|-----------------|-----------------|
| Current tax | | |
| UK corporation tax on (loss) / profit of the periods | (1,145) | 6,703 |
| Adjustment in respect of previous periods | (1,152) | - |
| Total current tax | <u>(2,297)</u> | <u>6,703</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | 650 | (6,316) |
| Adjustments in respect of previous periods | 1,172 | (346) |
| Total deferred tax | <u>1,822</u> | <u>(6,662)</u> |
| Tax on profit / (loss) on ordinary activities | (475) | 41 |

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

| b Factors affecting tax charge for the period | 2006 | 2005 |
|---|----------------|----------------|
| | £ 000's | £ 000's |
| Profit on ordinary activities before tax | <u>(1,364)</u> | <u>(173)</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | (409) | (52) |
| Effects of | | |
| Capital allowances and other sundry timing differences | (20,689) | (19,481) |
| Capital element of finance lease income | 20,031 | 25,676 |
| Other short term timing differences | 7 | 121 |
| Expenses not deductible for tax purposes | (85) | 439 |
| Adjustment to tax charge in relation to previous periods | <u>(1,152)</u> | <u>-</u> |
| Current tax charge for period (note 8a) | <u>(2,297)</u> | <u>6,703</u> |

9. Pensions

The total pension cost, paid on behalf of the Company by fellow subsidiary CIT Group UK Ltd was £232,488 (2005 £161,318)

During 2006, the Company has participated in the CIT Pension Plan, a funded plan which provides defined contribution benefits. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. The company made all required contributions to the fund during the period.

10 Tangible fixed assets

| | Leasehold property £ 000's | Office equipment £ 000's | Eqmt for Op leases £ 000's | Total £ 000's |
|-----------------------|---|---|---|--------------------------|
| Cost | | | | |
| At 1 January 2006 | 54 | 1,971 | 105,893 | 107,918 |
| Additions | 12 | - | 20,489 | 20,501 |
| Disposals | - | - | (22,846) | (22,846) |
| At 31 December 2006 | <u>66</u> | <u>1,971</u> | <u>103,536</u> | <u>105,573</u> |
| Depreciation | | | | |
| At 1 January 2006 | 37 | 1,824 | 46,807 | 48,668 |
| Charge for the period | 4 | 68 | 20,221 | 20,293 |
| Disposals | - | - | (17,816) | (17,816) |
| At 31 December 2006 | <u>41</u> | <u>1,892</u> | <u>49,212</u> | <u>51,145</u> |
| Net Book Value | | | | |
| At 31 December 2006 | <u>25</u> | <u>79</u> | <u>54,324</u> | <u>54,428</u> |
| At 1 January 2006 | <u>17</u> | <u>147</u> | <u>59,086</u> | <u>59,250</u> |

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

The residual values included within the cost of equipment used for operating leases mature over the periods detailed

| | 2006 £'000 | 2005 £'000 |
|------------------|---------------|---------------|
| Less than 1 year | 7,571 | 8,305 |
| 1 - 2 years | 4,598 | 3,906 |
| 2 - 3 years | 5,487 | 4,573 |
| 3 - 5 years | 3,756 | 5,737 |
| Over 5 years | 475 | 568 |
| Total | 21,887 | 23,089 |

11.(a) Investments in subsidiaries

The Company's investments in the share capital of subsidiary undertakings comprised

| | 2006 £'000 | 2005 £'000 |
|------------------------------------|---------------|---------------|
| At 1 January | 28,450 | 48,580 |
| Additions | 468 | - |
| Provisions for diminution in value | - | (2,617) |
| Disposal | (6,686) | (17,513) |
| At 31 December | 22,232 | 28,450 |

The disposal of £6,686,130 relates to the sale of CIT (Italy) SpA for the consideration of £6,762,250, generating a capital gain of £76,120 CIT Leasing (Germany) GmbH which had been fully impaired was disposed for £1,455,000 (2005 The disposal of £17,513,231 relates to the sale of CIT (France) SA)

There was no provision for diminution in value (2005 The provision for diminution in value related to the investment in CIT Leasing (Germany) GmbH for the amount of £663,648 and to the investment in CIT (Italy) SpA for the amount of £1,953,717)

The addition relates to the capitalisation of pre-acquisition costs for the Barclays Capital Vendor Finance portfolio (2005 Nil)

Details of the principal subsidiary undertakings held at 31 December 2006 are as follows

| Name | Country of Incorporation | Nature of business | % holding in ordinary share capital |
|---------------------------|--------------------------|--------------------|-------------------------------------|
| CIT Asset Finance Limited | England | Lease finance | 100% |
| CIT Commercial (UK) Ltd | England | Lease finance | 100% |

11.(b) Gain (loss) on disposal / Write down on investment

| | 2006 £'000 | 2005 £'000 |
|---------------------------------|---------------|---------------|
| Gain on disposals of investment | 1,531 | 1,727 |
| Impairment on investment | - | (2,617) |
| | 1,531 | (890) |

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Debtors

| | 2006 £'000 | 2005 £'000 |
|--|----------------|----------------|
| Amounts falling due within one year: | | |
| Trade debtors | 6,714 | 8,013 |
| Finance lease receivables | 8,601 | 9,178 |
| Hire purchase lease receivables | 65 | 253 |
| Vendor loans | 173 | 790 |
| Specific bad debts provision | (5,668) | (5,644) |
| Amounts owed by parent undertakings - others | 28,218 | |
| Other debtors | 9,346 | 4,642 |
| Prepayments and accrued income | 162 | 126 |
| | <u>47,611</u> | <u>17,358</u> |
| Amounts falling due after more than one year: | | |
| Net investment in finance leases | 170,880 | 156,686 |
| Net investment in hire purchase leases | 7,545 | 3,099 |
| | <u>178,425</u> | <u>159,785</u> |
| Net investment in Hire Purchase/ Finance Leases | | |
| Total minimum lease payments receivable | 223,562 | 197,988 |
| Less Finance charges allocated to future periods | (36,299) | (27,982) |
| | <u>187,263</u> | <u>170,006</u> |
| Net investment in Consumer/Vendor Loans | | |
| Total repayments receivable | 8,083 | 3,790 |
| Less Finance charges allocated to future periods | (677) | (369) |
| | <u>7,406</u> | <u>3,421</u> |

13. Provision for bad and doubtful debt

| | | |
|---|---------------|---------------|
| Provision against specific debts | 2006 £'000 | 2005 £'000 |
| 1 January | 5,644 | 2,584 |
| Increase during year charged to profit and loss | 3,807 | 3,273 |
| Amounts released during the year | (3,782) | (213) |
| 31 December | <u>5,669</u> | <u>5,644</u> |
| General Provision | 2006 £'000 | 2005 £'000 |
| 1 January | - | 1,600 |
| Amounts released during the year | - | (1,600) |
| 31 December | <u>-</u> | <u>-</u> |

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Deferred tax asset/(liability)

The deferred tax assets are as follows

| | 2006 £ 000's | 2005 £ 000's |
|---------------------------------|-----------------|-----------------|
| - capital allowances | 16,830 | 18,660 |
| - short-term timing differences | 1,497 | 1,489 |
| | <u>18,327</u> | <u>20,149</u> |
| At 1 st January | 20,149 | 13,488 |
| Prior year adjustment | (650) | 346 |
| Arising during the year | <u>(1,172)</u> | <u>6,315</u> |
| At 31 December | <u>18,327</u> | <u>20,149</u> |

The Directors believe that the deferred tax asset should be recognised as the benefit of the capital allowances arising in future years will be offset against future taxable profits arising within the UK group

15. Creditors: amounts falling due within one year

| | 2006 £ 000's | 2005 £ 000's |
|--|------------------|------------------|
| Trade Creditors | (4,734) | (1,603) |
| Amounts owed to non parent undertaking - other | (30,646) | (29,665) |
| Amounts owed to parent undertaking | (221,637) | (187,016) |
| Corporation tax payable | (4,288) | (6,585) |
| Other creditors including taxation and social security | (2,564) | (1,988) |
| Accruals and deferred income | <u>(543)</u> | <u>(368)</u> |
| | <u>(264,412)</u> | <u>(227,225)</u> |

Amounts owed to group undertakings in respect of loans are unsecured. They bear market rates of interest.

16. Provisions for liabilities and charges

| | 2006 £ 000's | 2005 £ 000's |
|--|-----------------|-----------------|
| At beginning of year | (4,461) | (2,898) |
| Reclassification from creditors | - | (1,958) |
| Other balance sheet reclassification | - | (87) |
| Utilised during the year | - | 774 |
| Charge to the profit and loss for the year | 335 | (292) |
| At end of year | <u>(4,126)</u> | <u>(4,461)</u> |

Included above is a provision for the amount of £2.1 million in respect of the future rent payable on the lease of the property that was vacated in 2004, after CIT Group Inc acquisition of the Company from Citigroup.

The remaining balance is in respect of the obligations of the business segment disposal agreement occurred after the above mentioned acquisition.

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Called up share capital

| | 2006 | 2005 |
|--|--------------------|--------------------|
| Authorised Ordinary Shares of £1 each | <u>100,000,000</u> | <u>100,000,000</u> |
| Allotted, called up and fully paid Ordinary Shares of £1 each | <u>30,277,968</u> | <u>30,277,968</u> |

18. Reconciliation of movements in equity shareholders' funds

| | 2006 £ 000's | 2005 £ 000's |
|-------------------------------------|-----------------|-----------------|
| Loss for the financial year | (889) | (214) |
| New share capital subscribed | - | - |
| Net deduction to shareholders' fund | <u>(889)</u> | <u>(214)</u> |
| Opening shareholders' funds | 55,531 | 55,745 |
| Closing Shareholders' funds | <u>54,642</u> | <u>55,531</u> |

19. Reserves

| | Share premium reserve £ 000's | Profit and loss account £ 000's | Total £ 000's |
|---------------------|--|--|------------------|
| At 1 January 2006 | 50,000 | (24,747) | 25,253 |
| Loss for year | - | (889) | (889) |
| At 31 December 2006 | <u>50,000</u> | <u>(25,636)</u> | <u>24,364</u> |

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Contingent liabilities and commitments

| | Land and buildings 2006 £ 000's | Total 2006 £ 000's |
|---|--|-----------------------------------|
| At the year-end, the annual rental commitments under non-cancellable operating leases were as follows | | |
| Expiring | | |
| - within one year | - | - |
| - between one and five years | - | - |
| - in five years or more | 594 | 594 |
| | <hr/> | <hr/> |
| Total as at December 2006 | 594 | 594 |
| | <hr/> | <hr/> |
| Total as at December 2005 | 594 | 594 |

At 31 December 2006 the Company had no capital commitments (2005 nil)

At 31 December 2006 the Company had no contingent liabilities (2005 nil)

21. Ultimate holding company and parent undertaking of larger group of which the company is a member

The parent undertaking of the smallest group of undertakings for which financial statements are drawn up, and of which the company is a member, and the immediate controlling party, is CIT Group Holdings (UK) Limited, a company incorporated in England and Wales. Copies of its financial statements are available from Circa 2A High St, Bracknell, Berkshire RG12 1AA

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up, and of which the company is a member, is the CIT Group Inc, a company incorporated in the United States of America. Copies of its financial statements are available from 1211 Avenue of the Americas, New York, NY 10036, United States of America

22. Subsequent events

On the first of January 2007 the Company executed the acquisition of a portfolio of leasing contracts from Barclays group for the net book value of £ 454.2 million

23. Comparative figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in current year

23. Approval of financial statements

The financial statements were approved by the directors on 31 July 2008