CIT VENDOR FINANCE (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2007

Registered Number 3088213

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

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 2007.

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, Linde, Rural.

On the 1st of January 2007 the company acquired a vendor finance business from Barclays Group, comprising of net receivables and a subsidiary undertaking, for the consideration price of £ 510 million The acquisition resulted in a business expansion through the new vendor programs I&C, Linde, Rural and technology finance, that has more than doubled the volumes of assets managed, new business originated throughout the year and the turnover of the company.

Microsoft vendor finance program, entered by CIT Group Inc. on the 30th of June 2006, and based on the mutual objective of the parties that CIT entities would make available to the Microsoft customers appropriate forms of financing, has generated in 2007 new volumes of assets managed, that as at year end have a closing position of £46.7m. The origination fee due to the Microsoft for the volumes generated during the year is £1.0m.

Results and dividends

For the year ended 31 December 2007 the company made a loss of £79.5 million (2006: £0.9 million). The current year net loss of £ 79.5 million is due firstly to the downgrade of future income projections, which is the cause of the write down of the premium paid on acquisition of a book of business and a subsidiary from Barclays (£50m) and deferred tax assets (£18m) for a total of £ 68 million, secondly to the increase of credit losses reserve, which accounts for £ 7.9 million, and thirdly to cost inefficiency, which accounts for the remaining £ 3.6 million.

During 2008, prior to finalisation of the 2007 financial statements, the directors concluded an impairment review of the premium paid on the 2 January 2007 acquisition of the portfolio and subsidiary from Barclays. It was concluded, given the adverse changes in the global economy during 2007 and its impact on the future income projections that an impairment had occurred. Accordingly, the premium on acquisition of £50m has been written off in these financial statements.

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 (2006: 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 and has initiated the review of the operating expenses to enhance profitability, which has resulted in a downsizing of the workforce and expenditures approvals, the creation of cost saving projects, and the shift of the strategic focus to net margins, as opposed to volumes.

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 2007 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 2007 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.

Going concern risk
The current year results highlight an excessive level of operating expenses of which one third is due to post balance sheet credit losses.
The net loss for the year, mainly driven by exceptional write downs and inclusive of all post balance sheet credit losses, has been absorbed by the equity funds, and no re-capitalisation needs have emerged. The income statement gross profit shows the business model is still profitable, as the turnover covers with convenient margin the cost of funds and the depreciation of fixed assets related to non finance leases.

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.

Interest Rate Risk
The majority of the company's interest bearing assets and liabilities are fixed rate.
The company monitors the level of interest rate risk on an ongoing basis.

Events after balance sheet date
There are no events after balance sheet date to be reported.

Directors and their interests

The names of those Directors who held office during the course of 2007 and to date were as follows:

Cormac Costelloe
Ivor Dorkin
Melvin Missen (Resigned on 30/05/08)
Colin Keaney (Appointed on 13/06/07)

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

The registered office is at 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 has 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. Keaney
Director
16 April 2009

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. Keaney
Director
16 April 2009

PRICEWATERHOUSECOOPERS

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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 2007 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.

PRICEWATERHOUSECOOPERS

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 2007 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

17 April 2009

CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

	Note	2007 £000's	2006 £000's
Turnover	2	**86,260**	38,082
Cost of sales	5	**(46,660)**	(10,142)
Gross Profit		**39,600**	27,940
Administrative costs	3	**(23,990)**	(9,785)
Depreciation	11	**(24,557)**	(20,293)
Exceptional items	4	**1,172**	(825)
Operating loss		**(7,775)**	(2,963)
Gains and loss on disposal of investment	12(b)	**-**	1,531
Write down on investment	12(b)	**(36,488)**	0
Write down of intangible assets	13	**(16,869)**	-
Interest receivable and similar income		**74**	8
Exchange gain		**83**	60
Loss on ordinary activities before taxation		**(60,975)**	(1,364)
Tax credit / (charge) on loss on ordinary activities	9	**(18,531)**	475
Loss on ordinary activities after taxation		**(79,506)**	(889)

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 11 to 22 form part of these financial statements.

CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

BALANCE SHEET
As at 31 December 2007

	Note	2007 £ 000's	2007 £ 000's	2006 £ 000's	2006 £ 000's
Fixed assets					
Tangible fixed assets	11	**82,600**		54,428	
Investments in subsidiaries	12(a)	**29,416**		21,763	
Intangible fixed asset	13	-		469	
			112,016		76,660
Current assets					
Cash at bank		**12,900**		2,157	
Debtors due within one year	14	**157,893**		47,611	
Debtors Due after one year	14	**619,946**		178,425	
Deferred Tax	15	-		18,327	
		790,739		246,520	
Creditors: Amounts falling due within one year	17	**(804,905)**		(264,412)	
Net current assets/(liabilities)			**(14,166)**		(17,892)
Total assets less current liabilities			**97,850**		58,768
Creditors: amounts falling due after more than one year			-		-
Provisions for liabilities and charges	18		**(4,960)**		(4,126)
			92,890		54,642
Capital and reserves					
Called up share capital	19		**148,032**		30,278
Share premium reserve	21		**50,000**		50,000
Profit and loss account	21		**(105,142)**		(25,636)
			92,890		54,642

The notes on pages 11 to 22 form part of these financial statements.
Approved by the Directors on 16 April 2009 and signed on their behalf by:

Colin Keaney
Director

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 2007 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 2007 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 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) Acquisitions

During the year the company acquired a business comprising a portfolio of lease contracts in addition to the employees servicing that business. The lease assets acquired comprised finance leases, operating leases and hire purchase agreements. These assets are recognised in the appropriate financial statement line item. An acquisition premium was paid, this has been treated as an intangible asset arising from the acquisition of a business.

The company also acquired a subsidiary through purchase of the share capital. A premium on acquisition was paid. The cost of the shares purchased plus the related acquisition premium has been treated as the cost of the investment in subsidiary undertaking.

The carrying value of the intangible and the investment in subsidiary undertaking are reviewed for impairment on an annual basis. To the extent the carrying value is considered to be less than the recoverable amount an impairment charge is reflected in the profit and loss account.

Acquisition expense 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Turnover

Turnover includes the following:

	2007 £ 000's	2006 £ 000's
Finance lease income	**42,217**	17,084
Operating lease income	**29,556**	23,035
Loans/hire purchase income	**7,913**	380
Gain and loss on disposals	**4,401**	(3,691)
Other fees	**2,173**	1,274
	86,260	38,082

3. Administrative costs

Administrative costs in the period include :	2007 £ 000's	2006 £ 000's
European shared service centre fee (operations costs)	**4,715**	2,407
Corporate recharges of central cost (professional costs)	**1,799**	-
Professional fees (legal fees, audit fees, consulting fees)	**1,056**	204
Credit loss provision movement	**4,135**	25
Credit losses (charged net of recoveries)	**3,248**	3,567
Salary costs	**5,668**	2,283
Other (including mkt, occupancy, maintenance, utilities)	**3,369**	1,299
	23,990	9,785

4. Exceptional items

	2007 £ 000's	2006 £ 000's
Write-offs of intercompany balances	**1,172**	(825)
	1,172	(825)

5. Cost of Sales

Cost of sales includes interest payable:

	2007 £ 000's	2006 £ 000's
To group undertakings (for interest on intercompany loans)	**45,227**	10,131
On bank loans and overdrafts	**419**	3
Finance charges under finance leases	**2**	8
Microsoft operating expenses and origination fees	**1,012**	-
	46,660	10,142

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:	**2007**	2006
	£ 000's	£ 000's
Auditors remuneration	**150**	150
Staff costs (see note 7)	**5,668**	2,283
Depreciation:		
- Operating Leases	**24,527**	20,222
- Other tangible fixed assets	**30**	71

7. Staff numbers and costs

The average number of people employed by the Company (including directors) during the period was nil (2006: nil), 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 :

	2007	2006
	£ 000's	£ 000's
Wages & salaries	**4,947**	1,818
Social security	**479**	233
Other pension costs	**242**	232
	5,668	2,283

8. Directors' emoluments

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

	2007	2006
	£ 000's	£ 000's
Aggregate emoluments (excluding pension contributions)	**-**	-
Company pension contributions to money purchase schemes	**-**	-
The number of directors to whom retirement benefits are accruing in respect of qualifying services was:		
- Money purchase schemes	**-**	-
- 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Taxation

a. Analysis of the tax charge in the year	2007	2006
	£ 000's	£ 000's
Current tax:		
UK corporation tax on (loss) / profit of the periods	-	(1,145)
Adjustment in respect of previous periods	204	(1,152)
Total current tax	204	(2,297)
Deferred tax:		
Origination and reversal of timing differences	-	650
Adjustments in respect of previous periods	17,109	1,172
Adjustments to change in rate	1,218	-
Total deferred tax	18,327	1,822
Tax on profit / (loss) on ordinary activities	18,531	(475)

b. Factors affecting tax charge for the period	2007	2006
	£ 000's	£ 000's
Profit on ordinary activities before tax	(60,975)	(1,364)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2006: 30%)	(17,073)	(409)
Effects of:		
Capital allowances and other sundry timing differences	(47,771)	(20,689)
Capital element of finance lease income	41,711	20,031
Other short term timing differences	2,582	7
Expenses not deductible for tax purposes	10,272	(85)
Losses carried forward	10,279	-
Adjustment to tax charge in relation to previous periods	204	(1,152)
Current tax charge for period (note 9a.)	204	(2,297)

10. Pensions

The total pension cost, paid on behalf of the Company by fellow subsidiary CIT Group UK Ltd was £242,000 (2006: £232,488).

During 2007, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets

	Leasehold property £ 000's	Office equipment £ 000's	Eqmt for Op leases £ 000's	Total £ 000's
Cost				
At 1 January 2007	66	1,971	103,536	105,573
Additions	-	-	58,240	58,240
Disposals	-	-	(19,540)	(19,540)
At 31 December 2007	66	1,971	142,236	144,273
Depreciation				
At 1 January 2007	41	1,892	49,212	51,145
Charge for the period	5	25	24,527	24,557
Disposals	-	-	(14,029)	(14,029)
At 31 December 2007	46	1,917	59,710	61,673
Net Book Value				
At 31 December 2007	20	54	82,526	82,600
At 1 January 2007	25	79	54,324	54,428

The residual values included within the cost of equipment used for operating leases mature as set out in the following table :

	2007 £'000	2006 £'000
Less than 1 year	**10,146**	7,571
1 - 2 years	**5,752**	4,598
2 - 3 years	**7,264**	5,487
3 - 5 years	**7,124**	3,756
Over 5 years	**1,405**	475
Total	**31,691**	21,887

12(a) Investments in subsidiaries

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

	2007 £'000	2006 £'000
At 1 January	**21,764**	28,450
Additions	**44,140**	-
Provisions for diminution in value	**(36,488)**	-
Disposal	-	(6,686)
At 31 December	**29,416**	21,764

The addition relates to the acquisition of the entirety of the share capital of CIT Equipment Finance UK. (Net assets acquired £10.5m, premium paid on acquisition £33.6m). Note 24 provides details in relation to the acquisition. (2006: The disposal of £6.686m relates to the sale of CIT (Italy) SpA for the consideration of £6.762m, generating a capital gain of £0.076m. CIT Leasing (Germany) GmbH which had been fully impaired was disposed for £1.455m).

The provision for diminution in value of £36.5m includes an impairment of £1.6m to the investment in CIT Commercial UK Ltd, and an impairment of £34.8 in relation to CIT Equipment Finance UK .

Details of the principal subsidiary undertakings held at 31 December 2007 are as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

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%
CIT Equipment Finance (UK) Ltd	England	Lease finance	100%

12(b) Gain (loss) on disposal / Write down on investment

	2007 £'000	2006 £'000
Gain on disposals of investment	-	1,531
Impairment on investment	(36,488)	-
	(36,488)	1,531

13. Intangible assets

	2007 £'000	2006 £'000
At 1 January	469	-
Additions*	16,401	469
Provisions for diminution in value	(16,869)	-
At 1 January	-	469

*The addition relates to the acquisition of a portfolio of operating and finance lease contracts from Barclays Mercantile Business Finance (Note 24).

14. Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Trade debtors	17,325	6,714
Finance lease receivables	43,083	8,601
Hire purchase lease receivables	4,752	65
Vendor loans	2,618	173
Specific bad debts provision	(12,407)	(5,668)
Other creditors/provisions	(6)	-
Amounts owed by parent undertakings – others	96,696	28,218
Other debtors	5,795	9,346
Prepayments and accrued income	37	162
	157,893	47,611

	2007 £'000	2006 £'000
Amounts falling due after more than one year:		
Net investment in finance leases	489,072	170,880
Net investment in hire purchase leases	130,874	7,545
	619,946	178,425
Net investment in Hire Purchase/ Finance Leases		
Total minimum lease payments receivable	711,679	223,562
Less: Finance charges allocated to future periods	(99,092)	(36,299)
	612,587	187,263
Net investment in Consumer/Vendor Loans		
Total repayments receivable	61,583	8,083
Less: Finance charges allocated to future periods	(3,771)	(677)
	57,812	7,406

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Provision for bad and doubtful debt

Provision against specific debts	**2007**	2006
	£'000	£'000
1 January	**5,669**	5,644
Increase during year charged to profit and loss	**4,135**	25
Provision assumed on acquisition	**2,603**	-
31 December	**12,407**	5,669

General Provision	**2007**	2006
	£'000	£'000
1 January	-	-
Amounts released during the year	-	-
31 December	-	-

16. Deferred tax asset/(liability)

The deferred tax assets are as follows:	**2007**	2006
	£ 000's	£ 000's
- capital allowances	-	16,830
- short-term timing differences	-	1,497
	-	18,327
At 1st January	**18,327**	20,149
Prior year adjustment	-	(650)
Arising during the year	-	(1,172)
Writeoff of DTA	**(18,327)**	-
At 31 December	-	18,327

The Directors, based on the recent adverse changes of global economic conditions and the consequent downgrade of the level of future profits expectations, have decided to write off the DTA carryforward balance.

17. Creditors: amounts falling due within one year

	2007	2006
	£ 000's	£ 000's
Trade Creditors	**(27,384)**	(4,734)
Amounts owed to non parent undertaking - other	**(20,922)**	(30,646)
Amounts owed to parent undertaking	**(729,056)**	(221,637)
Corporation tax payable	**(1,795)**	(4,288)
Other creditors including taxation and social security	**(22,465)**	(2,564)
Accruals and deferred income	**(3,283)**	(543)
	(804,905)	(264,412)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Provisions for liabilities and charges

	2007 £ 000's	2006 £ 000's
At beginning of year	(4,126)	(4,461)
Reclassification from creditors	-	-
Other balance sheet reclassification	-	-
Utilised during the year	-	-
Charge to the profit and loss for the year	(834)	335
At end of year	(4,960)	(4,126)

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.

19. Called up share capital

	2007	2006
Authorised		
Ordinary Shares of £1 each	350,000,000	100,000,000
Allotted, called up and fully paid		
Ordinary Shares of £1 each	148,032,330	30,277,968

20. Reconciliation of movements in equity shareholders' funds

	2007 £ 000's	2006 £ 000's
Loss for the financial year	(79,506)	(889)
New share capital subscribed	117,754	-
Net deduction to shareholders' fund	38,248	(889)
Opening shareholders' funds	54,642	55,531
Closing Shareholders' funds	92,890	54,642

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Reserves

	Share premium reserve £ 000's	Profit and loss account £ 000's	Total £ 000's
At 1 January 2007	50,000	(25,636)	24,364
Loss for year	-	(79,506)	(79,506)
At 31 December 2007	**50,000**	**(105,142)**	**(55,142)**

22. Contingent liabilities and commitments

	Land and buildings 2007 £ 000's	Total 2007 £ 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
Total as at December 2007	594	594
Total as at December 2006	594	594

23. 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.

24. Acquisition

Based on the sale and purchase agreement with Barclays group, signed on the 30th of September 2006, with an effective date of 1 January 2007, the company has made the following payments on the 2nd of January 2007:
EUR 995,000.00
GBP 503,633,550.00
in order to acquire from Barclays Mercantile Business Finance a set of leasing contracts representing current and non current net receivables and the entirety of the share capital of CIT Equipment Finance UK (formerly Barclays Technology Finance Limited). Net true up payments for the amount of £5.7 ml have been executed subsequently in the course of the year.

The price paid included a premium, agreed in the percentage of 9%, representing the compensation for the vendor finance relationships acquired. The premium related to the portfolio acquired and a premium on purchase of shares. The total premium paid was £50m.

The acquisition of the share capital of CIT Equipment Finance UK (including the premium paid on acquisition) was accounted for as an investment in subsidiaries (note 12 (a)). The portfolio of business acquired from Barclays Mercantile Business Finance was recognised in the financial statements in accordance with the nature of the lease contracts (operating leases or finance leases). The premium paid to acquire the portfolio was treated as an intangible asset.

During 2008, prior to finalising the 2007 financial statements, management has concluded that in light of the adverse change in the global economy and the future expectations of performance of the business compared with the strategic plan at acquisition that there is an impairment in the value of the investments made. Accordingly, the directors have recognised a charge of £50m which has been reported in the income statement after the operating loss, and represents the full write off of the premium paid for the acquisition of the vendor finance business from Barclays Group.

25. Subsequent events

There are no events after the balance sheet date to be reported.

26. Comparative figures

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

27. Approval of financial statements

The financial statements were approved by the directors on 16 April 2009.