
CIT VENDOR FINANCE (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

Registered Number 3088213



CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 20010**

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CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

DIRECTORS AND OTHER INFORMATION

Directors

C Costelloe (resigned 31 January 2011)
I Dorkin (resigned 26 March 2010)
C Keaney (resigned 31 January 2011)
N Small (appointed 31 January 2011)
N Sawbridge (appointed 31 January 2011) (resigned 17 June 2011)
R Arrington (appointed 31 January 2011)
T Dillon (appointed 11 July 2011)

Registered Office 2A High Street Bracknell,
Berkshire,
RG12 1AA

Registered Number 3088213

Secretary J Adu-Poku (Resigned 20/08/10)
O Houghton (Appointed 20/08/10)

Auditors PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

DIRECTORS REPORT

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 2010

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

In March 2010, Microsoft and CIT Group Inc "CIT" entered into a Portfolio Transfer Agreement which was executed with the transfer of the relevant portfolio to a third party in August 2010

In June 2010, CIT, through CIT Group UK Limited and CIT Vendor Finance UK Limited and a number of new special purpose entities set up for the transaction, successfully completed a £100 million lease receivables securitisation programme, contributing to its diversity of funding sources. This conduit facility will allow CIT to both finance existing assets and fund new originations. The revolving period of the facility expires in June 2011 and the facility has a final maturity in 2018

As part of this securitisation programme, the Company sold the receivables worth £97.6m to a fellow subsidiary, with an immediate receipt of £68m in June 2010. The remaining balance will be received upon termination of client contracts and the full repayment of investor loan notes issued during the set up of the securitisation structure. Additional lease receivables were added to the pool in October 2010 resulting in the receipt of a further £5.8m. The directors have concluded that the Company continues to retain the significant risks and rewards associated with the receivables and accordingly the assets will continue to be recognised and a financial liability will be recognized in respect of the proceeds received

In August 2010, the company sold a portfolio of finance and operating leases to a third party for £79.2m

On 29 September 2010 the directors of the immediate subsidiaries CIT Commercial (UK) Ltd and CIT Asset Finance (UK) Ltd resolved to file for voluntary liquidation of these two entities, as part of group rationalization of not trading entities with no outstanding debt with third parties. The directors have assessed the carrying value of the investment for impairment at 31 December 2010. See Note 10 for further details

Results and dividends

For the year ended 31 December 2010 the Company made a loss after tax of £11.7m million (2009 loss of £20.3 million)

Lease earnings (before related depreciation)

Overall, income decreased by £17m (27%) on prior year, as a net effect of the following factors,

- Income arising from core business (i.e. operating lease income, finance lease income and hire purchase income), decreased by £24.5m from prior year mainly as a result of the disposal of the Microsoft portfolio and the sale of the Linde portfolio
- The results however do show the decrease in lease income is partly offset by a net decrease in the level of bad debt charge offs incurred and a £3m gain on terminations (2009 £1m loss)

Interest payable and similar charges

The interest payable for the year has decreased by £14.1m due to the repayment of masternote funding during 2010

CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS (continued)

Administrative Expenses

Administrative expenses reduced by £8.3m to £27.3m in 2010. The most significant contributing factor to the decrease was a reduction in the depreciation charge from £20.7m in 2009 to £13.9m in 2010 in line with the decrease in the net book value of operating leases. Service fees also decreased as the costs incurred by the European shared services centre have decreased in total year on year and the percentage recharged to the company has also decreased due to the decrease in portfolio value. The foreign exchange loss is primarily due to the unfavourable movement of USD/STG£ rate over company's debt denominated in USD.

Interest receivable and similar income

Interest receivable increased in 2010 as a result of a short term interest bearing loan to CIT Group Inc ("the Parent") which was repaid within the year.

Dividends

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 (2009 nil).

The loss for the year has been transferred to reserves.

Going concern risk

The financial statements have been prepared on a going concern basis.

The ongoing liquidity of the Company is dependent on its rental payment streams as well as its ability to access European intra group funding and funding from the Parent.

In concluding that the going concern basis was appropriate for the Company for the year ended 31 December 2010 financial statements, the directors have taken various matters into account. Refer to Note 1 to the financial statements on page 12.

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 2010 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 2010 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 exposure to foreign exchange risk since there are a number of leases and intercompany related balances which are valued in currencies other than British Sterling. The movement of currency rates year on year (predominately Euro and US dollars) may cause a foreign exchange gain or loss. The Company monitors the level of foreign exchange risk on an ongoing basis.

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.

CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS (continued)

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

Refer to Note 23 for details of post balance sheet events

Directors and their interests

The names of those Directors who held office during the course of 2010 and to date are listed on page 3

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

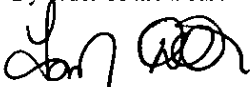
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

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 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



T Dillon
Director

Registered No 3088213

CIT Vendor Finance (UK) Ltd

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

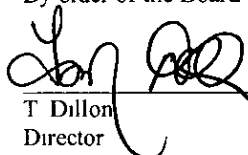
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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



T. Dillon
Director



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 2010 which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion, the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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Chartered Accountants



**Independent auditors' report to the members of - CIT Vendor Finance (UK)
Limited continued**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion.

- adequate accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'Emma Scott', written over a circular stamp.

**Emma Scott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin, Ireland**

7 September 2011

CIT Vendor Finance (UK) Ltd**FINANCIAL STATEMENTS****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2010

	Note	2010 £000's	2009 £000's
Lease earnings	2	47,231	63,974
Interest payable and similar charges	4	(26,857)	(40,928)
Gross Profit		20,374	23,046
Administrative costs	3	(27,244)	(35,621)
Operating loss		(6,870)	(12,575)
Write down on investment	10	(61)	(3,743)
Interest receivable and similar income	5	971	22
Loss on ordinary activities before taxation		(5,960)	(16,296)
Tax credit / (charge) on loss on ordinary activities	8	(5,817)	(4,050)
Loss on ordinary activities after taxation		(11,777)	(20,346)

There were no recognised gains or losses other than those included in the profit and loss account above

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical basis

All profit and loss account items related to continuing operations

The notes on pages 12 to 23 form part of these financial statements

CIT Vendor Finance (UK) Ltd**FINANCIAL STATEMENTS****BALANCE SHEET****As at 31 December 2010**

	Note	2010 £ 000's	2009 £ 000's
Fixed assets			
Tangible fixed assets	9	23,954	37,250
Investments in subsidiaries	10	<u>13,781</u>	<u>13,835</u>
		37,735	51,085
Current assets			
Cash at bank	11	42,004	40,186
Debtors due within one year	12	139,390	151,629
Debtors Due after one year	12	166,934	452,344
Deferred Tax	14	-	-
		<u>348,328</u>	<u>644,159</u>
Creditors Amounts falling due within one year	15(a)	<u>(119,708)</u>	<u>(446,331)</u>
Net current assets/(liabilities)		<u>228,620</u>	<u>197,828</u>
Total assets less current liabilities		<u>266,355</u>	<u>248,913</u>
Creditors amounts falling due after more than one year	15(b)	(229,309)	(200,215)
Provisions for liabilities and charges	16	(1,661)	(1,536)
		<u>35,385</u>	<u>47,162</u>
Capital and reserves			
Called up share capital	17	148,032	148,032
Share premium reserve	19	50,000	50,000
Profit and loss account	19	<u>(162,647)</u>	<u>(150,870)</u>
		<u>35,385</u>	<u>47,162</u>

The notes on pages 12 to 23 form part of these financial statements

Approved by the Directors on 6th September 2011 and signed on their behalf by
T Dillon
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 (collectively "UK GAAP") at 31 December 2010 and the Statement of Recommended Accounting Practice "Accounting issues in the asset finance and leasing industry"

The Company is a wholly owned subsidiary of CIT Group Inc ("the Parent") which is incorporated in the United States of America. The Company and its subsidiaries are included in the audited consolidated financial statements of CIT Group Inc for the year ended 31 December 2010 which were drawn up in a manner equivalent to financial statements drawn up in accordance with the EU Seventh Directive. Consequently, the Company 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.

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.

Going concern

As at 31 December 2010 the Company had net assets of £35.4m (2009 £47.2m)

The Company is dependent on the Parent for funding through masternotes. Masternotes due to the Parent have scheduled repayment dates. The directors are satisfied that the Parent cannot request early redemption of the masternotes. In addition, the Parent has provided a letter of comfort to the Vendor Finance European operations ("VFE"), confirming its continuing support, including equity infusion when required.

The Company also manages its liquidity risk via its rental payment streams as well as its ability to access VFE intra-group funding.

The company has also securitised a pool of leases receivables which will contribute to the Company's diversity of funding. The facility will allow the company to both finance existing assets and fund new originations.

Cash flow projections have been prepared at both a Vendor Finance Europe ("VFE") level (the European operations of which the Company is part) as the Company's management manages cash at this level as well as at the Company level. A key factor in the VFE forecast is the timing of the repayment of the US\$844 million investment funding provided by the Parent to the VFE operations. The repayment date of this funding is spread over the next three years, with US\$65m due in October 2011 and the remainder due up through October 2013. The VFE cash flow forecast has been prepared for the period to June 2012 and shows a surplus cash position.

The directors have also assessed the tax, legal and regulatory restrictions on making cash surpluses available to the other entities within the VFE operations if the need arises. The directors are satisfied that there are no material restrictions, outside of a small number of entities, that would prevent cash being transferred between VFE entities to support an entity's liquidity position if required. A formal intra-group agreement was initiated on 23 June 2010 to extend funding to the Company should the need arise.

The Directors undertook a review of the Company's ability to continue as a going concern. Taking into account the points noted above and the results of this assessment, the directors have concluded that the going concern basis of preparation is appropriate.

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

b) Lease Earnings

Lease Earnings 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, offset by any recoveries, charge offs and change in bad debt provision for the year.

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. Operating lease rental income is recognised on a straight line basis over the time of the lease. Assets under operating leases are classified as fixed assets and depreciated from original cost to estimated residual value on a straight line basis over the term of the lease.

Finance leases (and hire purchase/loan contracts with similar characteristics)

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.

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 capitalise costs and amortise on a reducing balance basis over the life of the related scheme.

f) Interest receivable and similar income and interest payable and similar charges

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) Provision for bad and doubtful debts

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.

Commercial contracts balances are charged off automatically when overdue by 151 days and consumer contracts balances are charged off automatically when overdue by 121 days, any subsequent payment is recorded as recovery.

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

b) 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

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions in foreign currency are translated into sterling at the exchange rate ruling at the date of the transaction or at average monthly rates where these are a close approximation of these rates. Any foreign exchange differences arising in the period 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 in subsidiaries

The carrying values of the investment in subsidiary undertakings 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 expenses are treated as part of the cost of acquisition and 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

n) Derivative financial instruments

CIT Vendor Finance 1 Limited, a fellow subsidiary has entered into derivative financial instruments, to manage CIT's exposure to interest rate risk under the securitisation programme. As the company retains the risk and rewards of these derivative financial instruments, the impact of these derivatives have been reflected in the financial statements of Company as at 31 December 2010. At inception, the derivatives are initially recognised at cost which is amortised to the profit and loss account over the life of the derivative. The interest rate derivatives have a total notional of £105,244,606 and a fair value at 31 December 2010 of (£1 484,436). The derivative contracts are due to mature in 2016 and 2017.

o) Cash and cash equivalents

Included in cash at bank is cash in hand and deposits held on call with the bank. Also included in cash at bank is restricted cash relating to cash collections for the securitised lease contracts.

2 Lease Earnings

Lease earnings includes the following

	2010 £ 000's	2009 £ 000's
Finance lease income	22,404	35 628
Operating lease income	16,796	24,564
Loans/hire purchase income	1,814	5,357
Gain and (loss) on disposals	3,016	(965)
Other fees	6,080	5,798
Change in bad debt provision/ charge offs (net of recoveries)	(2,879)	(6,408)
	<u>47,231</u>	<u>63,974</u>

3 Administrative costs

Administrative costs in the period include	2010 £ 000's	2009 £ 000's
European shared service centre fee (operations costs)	8,123	11,958
Depreciation	13,899	20,740
Corporate recharges of central cost (professional costs)	2,578	1,601
Professional fees (legal fees, audit fees, consulting fees)	71	176
Salary costs	778	1,790
Other (including marketing/ sales, occupancy, maintenance, utilities)	1,352	554
Foreign Exchange loss/(Gain)	443	(1,198)
	<u>27,244</u>	<u>35,621</u>

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 2006.

Group leasing administration service fees arise as a result of a service agreement with CIT Group Finance (Ireland) ('CGFI'). CGFI, as the European Shared Services Centre, provides administration services to the company but does not own the underlying assets.

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

3 Administrative costs - continued

The Company bears all of its own direct administrative expenses. The Company has no direct employees, but shares these functions with fellow subsidiaries, for which a recharge is incurred.

4 Interest Payable and Similar Charges

Interest payable and Similar Charges include

	2010 £ 000's	2009 £ 000's
To group undertakings (for interest on masternotes)	25,652	40,928
Interest expense	993	-
Deferred debt issuance costs amortised	113	-
Other charges	99	-
	<u>26,857</u>	<u>40,928</u>
Deferred debt issuance costs	2010 £ 000's	2009 £ 000's
At 1 January	-	-
Additions	994	-
Amortised through P&L during the year (Note 4)	(113)	-
At 31 December	<u>881</u>	<u>-</u>

Debt issuance costs are deferred on the balance sheet and subsequently written off over the life of the related debt. The costs deferred at year end 31 December 2010 include the company's allocation of the fees relating to setting up the securitisation program.

5 Interest receivable and similar income

	2010 £ 000's	2009 £ 000's
Interest from short term loan to parent	935	-
Bank interest receivable	36	22
	<u>971</u>	<u>22</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging	2010 £ 000's	2009 £ 000's
Fees paid to company auditors – for audit services	113	137
Staff Costs (see note 7)	778	1,790
Depreciation		
- Operating Leases	13,899	20,735
- Other tangible fixed assets	0	5

7 Staff numbers and costs

The average number of people employed by the Company (including directors) during the period was nil (2009 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.

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

7 Staff numbers and costs - continued

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

	2010 £ 000's	2009 £ 000's
Wages & salaries	435	924
Social security	68	197
Other pension costs	46	77
Other benefits and sales incentives	229	592
	<u>778</u>	<u>1,790</u>

The total pension cost, paid on behalf of the Company by fellow subsidiary CIT Group UK Ltd was £46,145 (2009 £77,256)

During 2010, 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.

8 Taxation

a Analysis of the tax charge in the year

	2010 £ 000's	2009 £ 000's
Current tax		
UK corporation tax on (loss) / profit of the periods	3,594	4,059
Adjustment in respect of previous periods	2,223	(9)
Total current tax	<u>5,817</u>	<u>4,050</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustments in respect of previous periods	-	-
Adjustments to change in rate	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit / (loss) on ordinary activities	<u>5,817</u>	<u>4,050</u>

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

8 Taxation – continued

b Factors affecting tax charge for the period	2010	2009
	£ 000's	£ 000's
Loss on ordinary activities before tax	<u>(5,960)</u>	<u>(16,296)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	(1,669)	(4,563)
Effects of		
Capital allowances and other sundry timing differences	(22,637)	(24,863)
Capital element of finance lease income	27,733	41,071
Other short term timing differences	(19)	(4,605)
Expenses not deductible for tax purposes	186	1,393
Losses carried forward	-	(944)
Losses claimed as group relief	-	(3,430)
Adjustment to tax charge in relation to previous periods	2,223	(9)
Current tax charge for period (note 7a)	<u>5,817</u>	<u>(4,050)</u>

9 Tangible fixed assets

	Leasehold property £ 000's	Office equipment £ 000's	Operating lease Equipment £ 000's	Total £ 000's
Cost				
At 1 January 2010	28	231	82,227	82,486
Additions	-	2	7,300	7,302
Disposals	<u>(28)</u>	<u>-</u>	<u>(33,281)</u>	<u>(33,309)</u>
At 31 December 2010	<u>-</u>	<u>233</u>	<u>56,246</u>	<u>56,479</u>
Depreciation				
At 1 January 2010	28	231	44,977	45,236
Charge for the period	-	-	13,899	13,899
Disposals	<u>(28)</u>	<u>-</u>	<u>(26,582)</u>	<u>(26,610)</u>
At 31 December 2010	<u>-</u>	<u>231</u>	<u>32,294</u>	<u>32,525</u>
Net Book Value				
At 31 December 2010	<u>-</u>	<u>2</u>	<u>23,952</u>	<u>23,954</u>
At 1 January 2010	<u>-</u>	<u>-</u>	<u>37,250</u>	<u>37,250</u>

The Company's residual value exposure in respect of operating lease equipment, all of which are expected to be disposed of at the end of the lease term, is expected to be recovered as follows

	2010	2009
	£'000	£'000
Less than 1 year	5,955	8,558
1 - 2 years	2,801	3,580
2 - 3 years	1,450	3,533
3 - 5 years	666	1,316
Over 5 years	69	246
Total	<u>10,941</u>	<u>17,233</u>

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

10 Investment in Subsidiaries

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

	2010 £'000	2009 £'000
At 1 January	13,835	17,578
Additions	7	-
Provisions for diminution in value	(61)	(3,743)
Adjustment to investment value	-	(117)
At 31 December	<u>13,781</u>	<u>13,835</u>

The provision for diminution in value of £61,000 (2009 £3 7m) relates to an impairment in the investment in CIT Commercial UK Ltd

Details of the principal subsidiary undertakings held as at 31 December 2010 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%
CIT Equipment Finance (UK) Ltd	England	Lease finance	100%
CIT Vendor Finance Note Purchasing, Ltd	Bermuda	Dormant	100%

11 Cash at Bank

Included in cash at bank is cash in hand and deposit held on call with the bank as well as restricted cash relating to cash collections for the securitised lease contracts. The cash will be used to repay the discounted floating Notes 15 on a revolving basis.

Cash at bank	2010 £'000	2009 £'000
Cash at bank	42,004	40,186
<i>Of which restricted</i>	7,160	-

12 Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Trade debtors	19,803	45,620
Finance lease receivables	16,559	31,156
Hire purchase lease receivables	2,570	13,175
Bad debts provision	(7,809)	(9,276)
Amounts owed by other group undertakings	107,587	70,714
Other debtors	305	91
Prepayments and accrued income	149	149
Deferred debt issue costs	226	-
	<u>139,390</u>	<u>151,629</u>

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

12 Debtors - continued

	2010 £'000	2009 £'000
Amounts falling due after more than one year		
Net investment in finance leases	157,350	317,477
Net investment in hire purchase leases	8,929	134,867
Deferred debt issue costs	655	-
	<u>166,934</u>	<u>452,344</u>
Net investment in Hire Purchase/ Finance Leases		
Total minimum lease payments receivable	219,932	561,806
Less Finance charges allocated to future periods	(34,523)	(65,131)
	<u>185,409</u>	<u>496,675</u>
Residual values included in finance lease net investment		
One year or less	7,689	17,006
Between one and two years	5,635	13,266
Between two and five years	10,613	27,586
Over five years	88	1,582
Total exposure	<u>24,025</u>	<u>59,440</u>

Included in debtors is a portfolio of lease receivables with a net realisable value of £75m at 31 December 2010 sold to a fellow subsidiary under the securitisation structure set up in June 2010. As the directors have concluded that the Company continues to retain the significant risks and rewards associated with the receivables and accordingly the assets will continue to be recognised and a financial liability will be recognized in respect of the proceeds received. See note 15(b)

13 Provision for bad and doubtful debt

	2010 £'000	2009 £'000
Provision against specific debts		
1 January	9,276	24,248
(Decrease)/Increase during year charged to profit and loss	(1,467)	(14,972)
31 December	<u>7,809</u>	<u>9,276</u>

14 Deferred tax asset/(liability)

	2010 £ 000's	2009 £ 000's
The deferred tax assets are as follows		
- capital allowances	-	-
- short-term timing differences	-	-

Deferred taxation assets / (liabilities) recognised in the accounts and the assets / (liabilities) not recognised are as follows

	2010 Provided £'000's	2010 Unprovided £'000's	2009 Provided £'000's	2009 Unprovided £'000's
At 1 January	-	36,178	-	26,090
(Released) / arising relating to the current year	-	3,243	-	10,660
(Released) / arising during the prior year	-	4,896	-	(572)
Adjustment due to change in rate	-	(1,293)	-	-
	<u>-</u>	<u>43,024</u>	<u>-</u>	<u>36,178</u>

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

15(a). Creditors: amounts falling due within one year

	2010 £ 000's	2009 £ 000's
Trade creditors	(25)	(13,103)
Amounts owed to other group undertakings	(89,845)	(46,353)
Amounts owed to parent undertaking	(14,270)	(320,176)
Amounts owed to Third Party Vendors	(109)	(47,741)
Corporation tax payable	(9,876)	(3,986)
Discounted Floating Note Facility	(94)	-
Other creditors including taxation and social security	(3,608)	(12,084)
Accruals and deferred income	(1,881)	(2,888)
	<u>(119,708)</u>	<u>(446,331)</u>

15(b). Creditors: amounts falling after one year

	2010 £ 000's	2009 £ 000's
Discounted Floating Note Facility	(54,049)	-
Amounts owed to parent undertaking	(175,260)	(200,215)
	<u>(229,309)</u>	<u>(200,215)</u>

Amounts owed to parent undertakings are interest bearing and are unsecured

CIT entered into a discounted floating rate note facility with Deutsche Bank AG as part of the securitisation programme. The facility which is backed by commercial equipment lease contracts from both CIT Group (UK) Limited and CIT Vendor Finance (UK) Limited will be repaid on a revolving basis using cash collections for the securitised lease contracts. The facility is split proportionately across both legal entities. The initial revolving period of the facility expires in June 2011 and the facility has a final maturity in 2018. The financing provided against the pool takes into account inter alia the risks that may be attached to the individual debtors and expected collection period. As set out in Note 12, the assets subject to securitisation have a net realisable value of £75m at 31 December 2010. The financing provided by Deutsche bank AG will be repaid from the proceeds of these assets. Deutsche Bank AG does not have further recourse to CIT assets.

Maturity of Discount Floating Note

	2010 £ 000's	2009 £ 000's
One year or less	94	-
Between one and five years	-	-
Over five years	54,049	-
Total	<u>54,143</u>	<u>-</u>

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

16 Provisions for liabilities and charges

	2010 £ 000's	2009 £ 000's
At beginning of year	(1,536)	(2,736)
Other balance sheet reclassification		-
(Increase)/ decrease during the year	(125)	1,200
At end of year	<u>(1,661)</u>	<u>(1,536)</u>

Included above is a provision for the amount of £1 1m (2009 £1 2m) in respect of the future rent payable on the lease of the property that was vacated in 2004, after the CIT Group Inc acquisition of the Company from Citigroup

17 Called up share capital

	2010	2009
Authorised		
Ordinary Shares of £1 each	<u>350,000,000</u>	<u>350,000,000</u>
Allotted, called up and fully paid		
Ordinary Shares of £1 each	<u>148,032,330</u>	<u>148,032,330</u>

18 Reconciliation of movements in equity shareholders' funds

	2010 £ 000's	2009 £ 000's
Loss for the financial year	(11,777)	(20,346)
Net deduction to shareholders' fund	<u>(11,777)</u>	<u>(20,346)</u>
Opening shareholders' funds	47,162	67,508
Closing Shareholders' funds	<u>35,385</u>	<u>47,162</u>

19 Reserves

	Share premium reserve £ 000's	Profit and loss account £ 000's	Total £ 000's
At 1 January 2010	50,000	(150,870)	(100,870)
Loss for year	-	(11,777)	(11,777)
At 31 December 2010	<u>50,000</u>	<u>(162,647)</u>	<u>(112,647)</u>

CIT Vendor Finance (UK) Ltd

NOTES TO THE FINANCIAL STATEMENTS

20 Contingent liabilities and commitments

20(a) – Contingent liabilities

The company has received a legal claim from a third party which has a maximum potential exposure of £1.3m. Correspondence has been exchanged between the company and the third party during 2011. Given the likelihood of outcome, the directors are satisfied that no additional provision is required in the financial statements.

20(b) – Commitments

Land and buildings	2010 £ 000's	2009 £ 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	594	594
- in five years or more	-	-
Total	<u>594</u>	<u>594</u>

21 Related party transactions

The company has availed of the exemption under FRS 8 "Related party disclosures", not to disclose details of all transactions with group companies. Details of the availability of the group financial statements are given in note 22.

22 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.

23 Subsequent events

In June 2011 the Company acquired 115 finance lease contracts from IOT Leasing Ltd and IOT Plc. The purchase price paid to IOT Leasing Ltd and IOT Plc was £1,016,771 and £136,550 respectively.

24 Comparative figures

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

25 Approval of financial statements

The financial statements were approved by the directors on 6th September 2011.