Annual results to 31 March 2008

Baroness Hogg's script

Welcome – Baroness Hogg

Good morning everyone and welcome to our annual results' presentation. This follows our announcement to the Stock Exchange earlier today. As I said in that statement, 3i has achieved a good performance in challenging markets.

Agenda

Turning to our agenda for this morning, we have a slight change to the advertised line up as Simon Ball, our Finance Director, is not well. Fortunately, we have a very able Deputy Finance Director in Julia Wilson, and she will be giving the financial presentation after Phil Yea, our Chief Executive, has given you his review of the year. Phil will also make some closing comments before we move to Q&A. We also have Jonathan Russell and Michael Queen here, both of course well known to you, who I am sure will also be happy to take questions on their business lines during this session or afterwards.

So without further ado I would like to hand over to Phil.

Annual results to 31 March 2008

Philip Yea's script

CHIEF EXECUTIVE'S REVIEW - NAME SLIDE
Thank you Sarah.

Good morning everyone, and welcome to our 2007/08 results presentation.

KEY THEMES
The key themes for these results are shown here on this opening slide.

This last year has seen major changes in both the financing and credit markets, as well as a significant shift in the outlook for the world's economy. Given these undoubtedly more challenging markets we believe that the figures overall, both returns, and investments and realisations, represent a good performance.

We are realistic about the outlook, and will share with you today how we see the debt markets, the M&A markets more generally, and the outlook in those areas where 3i and our investees operate.

However we are using the word 'realism' rather than 'pessimism', as our strategy was very much built with the long term in mind. Moreover we have a very diversified portfolio and have been highly selective in making new investments for quite some time.

Today we shall also be reporting further good progress in the implementation of our strategy, and be setting ourselves further targets for the future, specifically with respect to our ambition to grow assets under management.

FINANCIAL PERFORMANCE HEADLINES
Here you can see the key financial figures.

Investment was strong, at £2.2 billion, mainly through larger average amount per transaction. In fact the number of new deals was modestly down year on year.

As expected, realisations slowed, but were still strong at £1.7 billion, and definitely stronger than we anticipated when we started the financial year. Some 28% of opening portfolio was sold, compared to 39% the previous year.

As realisations were lower, so too were realised profits.

The gross portfolio return was strong at 23.9%, albeit not as strong as last year's exceptional 34.% but entirely consistent with our 20% cash to cash targets for Buyouts and Growth.

And return itself at £792m was good, at 18.6% of an ungeared opening balance sheet.

After absorbing the dilution of 33 pence per share from last year's B share issue, closing NAV per share was £10.77, up on both last year's closing £9.32 and also the half year figure of £10.07.

We have today recommended a final dividend of 10.9p per share, bringing the total dividend to 17.0p, an increase of 5.6% from last year.

OUR VISION AND STRATEGY

I said in my opening that we could report further progress in the implementation of our strategy.

Just to remind you of our vision and strategy, this slide sets out what we have been trying to do over the last few years, all within a mid-market context, and with an eye to the greater internationalisation and increasing institutionalisation of the world's leading private equity players.

Looking at our strategy, judge us on our record:

- We only invest in high return assets
- We are growing our assets as well as those we manage for others, as the economics are very attractive
- We derive real value from our international presence
- Our balance sheet has been used to start new businesses
- And our culture is at the heart of everything we do

A RESHAPED AND DIVERSIFIED BUSINESS
The implementation of this strategy over the last few years has created a very different business.

Following the significant progress within the SMI program as well as the business lines themselves, our portfolio is now just 487 companies (if you exclude the residual SMI portfolio, it is now 395).

Our move towards fewer larger deals, without straying from the mid-market is shown in the next two data sets. We are now making around 50 investments per year. And the average size of each investment, although much increased over the last four years, is still mid-market.

So although we are growing our assets and reducing our portfolio, we remain highly diversified.

Our growing internationalisation is not just a statistic, but also a competitive advantage. And we have supported this with a slimmer structure in terms of offices, notwithstanding the greater number of countries. Geography is of course another source of diversification.

This strategy is delivering new asset classes and a strong growth in assets under management.

And we are achieving this with broadly the same number of people, in fact our headcount is slightly down.

CONFIDENT IN OUR STRATEGY
We are confident in this strategy.

As an investment company, our strategy is, above all, returns driven. This is why this year's figure of 18.6% is so symbolically important, given how difficult the external environment has appeared.

But probably most important this year, as you've just seen, is the further significant increase in Assets under Management. Following the previous year's listing of 3i Infrastructure Ltd, these last twelve months also saw the listing of 3iQPE Ltd, which is now about a quarter invested. 3i Infrastructure Ltd itself has traded very well, and has been finding good opportunities. We have recently completed the raising of a dedicated Indian Infrastructure Fund. The Indian fund closed at year-end, and at $1.2bn has exceeded its initial $1.0bn target.

Our investment in people resources, and our focus on growing the business by growing deal size rather than deal numbers, are now delivering. Our US Growth capital business has delivered four transactions in the year. Our Indian portfolio has shown good uplifts in value. And the changing scope of our business has led, after careful analysis, to our decision to bring late stage Venture investing within the Growth business.

Our strategy is well-suited to the environment we face. It is highly selective, based on fewer deals, in larger, often more international companies, and working with those businesses to deliver earnings and value growth.

Growing assets under management, as well as delivering fees, will improve yet further the operational efficiency and more importantly the operational gearing of our business. Our costs net of fees were effectively flat on the year.

REALISTIC IN THE OUTLOOK

Given the challenges being thrown up over the last ten months, we are of course realistic on outlook.

The 47 new investments we made in the year, compare with the previous year's 62.

As is usual during periods like these, the M&A markets have been hesitant. Price expectations normally take some time to adjust, and we are not yet through that phase. The large LBO market itself was effectively closed from mid/ late summer, as the large Investment Banks dealt with their excess inventories of underwritten loans. There are just a few signs that the door may be opening again for this market, but let's see.

Clearly the biggest effects were in the US and the top-end in Europe, particularly the UK.

Asia has remained in relatively good shape. Markets in Europe are reasonable, and on divestments, trade buyers have emerged to take advantage of the new landscape.

As far as our own mid-market Buyout business is concerned, we have been able to do deals in the range up to around €700m of Enterprise Value, provided the sector is not too consumer driven. Pricing of debt, and leverage levels, have returned to ‘2004/5levels. Relationship banking is back, and having invested in an in-house banking team some two years ago, we have been able to engage actively with relationship and regional banks in particular, to put together good old-fashioned club type deals.

As we said in our pre-close, our portfolio is in generally good shape, although it clearly is not immune to economic conditions.

And as we have told you many times before, over the last couple of years, we have routinely modelled in the effects of multiple compression when analysing new investments.

Given the degree of adjustment in outlook and market multiples, we have reviewed carefully those investments made in the last twelve months. We’ve reviewed both their current trading and their future prospects and made just one performance related provision. Total provisions across the business have increased from last year’s unsustainably low position, and were some 4.3% of opening portfolio value. This figure is more in line with longer term trends.

Finally, our results reflect a substantial reduction in the multiples we use when valuing investments on an earnings basis. Around 70% of these are valued on an EBITDA basis, and the average multiple has moved down by approximately 15% year on year.

HALF-YEARLY RESULTS PRESENTATION – NOVEMBER 2007
Let me remind you of what we said last November concerning how we have been dealing with the new environment,

We said we were very selective concerning the assets in which we invest. This hasn’t changed.

And that we engage actively with the management teams. This is continues to be true.

We reconfirmed our through the cycle targets. We haven’t changed our objectives.

And we said that we were confident in the further delivery of our strategy. We still are.

STRATEGY IN ACTION IN TODAY'S MARKETS

So how are we performing against our strategy in today's environment?

In the next few slides I shall do a brief review of the further progress, both strategic and operational, in each of our four principal business lines.

The headlines are that the portfolio is in good shape.

And that we believe our mid-market, global and partnership-led approach is a successful formula, even in these new conditions.

BUYOUTS

Let me start with our mid-market Buyout business, which as you will see later from the figures, has produced another exceptional set of results.

We are just in the process of creating a small team in Asia, who can leverage off the presence of our Growth team to source and execute Buyout transactions. We've just closed our first small investment there.

A year ago we recruited a few key individuals to cover Central and Eastern Europe, and we are seeing interesting deal flow, including EDS, which we completed in May.

We have taken some small but important steps in the debt area, where the lack of liquidity in the secondary market for leveraged loans, has presented us with an interesting opportunity to make money, as well as potentially to do more in the future as these markets evolve. We have created a debt warehouse of up to €800m, with committed equity of up to €160m from 3i. The same team I referred to earlier is selecting the debt investments for this facility, and at year end around €275m gross has been invested. We are thinking of this as if it is a discrete investment, rather like an individual buyout.

Building and maintaining strong relationships are critical elements of our strategy, and are even more valuable in these markets, whether for management teams or banks.

Last but not least, we have been investing heavily in improving our interactions with portfolio companies, an approach we call 'Active Partnership.' We have been building our capabilities continuously over the last four or five years, and this latest program deepens our engagement around key value drivers, to deliver their full potential.

And our networks with Business Leaders now spread from Beijing throughout Europe and into the US.

WENDT CASE STUDY

Wendt provides a very good case study of how we work with companies to create value.

It was a management buyout from Anglo American. We strengthened the board, and helped accelerate the implementation of their international strategy.

EBITDA improved significantly over a short period.

And as you can see from the quotation, management acknowledge that we have helped them accelerate their plans (in this case particularly with respect to Asia).

The business enjoyed a higher multiple on exit because it was growing fast in attractive markets.

The opportunities to improve businesses will not simply disappear just because of the credit crunch.

GROWTH CAPITAL

Our Growth Capital business really is developing as we expected.

Its average investment in the last twelve months rose to £37m, with a wide range of very interesting and largely private businesses being convinced that 3i can assist their development, often internationally.

Earlier in my presentation I referred to the progress in North America.

And the sustained development in Asia.

We have spoken to you in the past about our efforts to build a strong origination pipeline; these are now paying off, with many investments being the product of a close relationship over a sustained period, sometimes years, prior to the transaction itself.

The quality of many of our investments is there for all to see, whether Foster+Partners in Europe, Quintiles in the US, and the previous signature deals of ACR and Little Sheep in Asia. And the recently announced Union Radio transaction in Spain, involving radio stations in Latin America and the US.

This business line is leveraging off many of the techniques honed within the Buyout business, including active partnership, as well as laying foundations for other business lines itself such as Infrastructure or Buyouts in Asia.

INFRASTRUCTURE

The performance of 3i Infrastructure Ltd since it listed has been very strong.

Our rapid move to raise an Indian fund looks well timed, and the quality of deal flow being seen is very high indeed.

Michael is making good progress in building his teams in all three continents.

And our positioning as a long-term trusted investor is proving very attractive to counterparties.

Given the size of the market opportunity I believe there is much more to come through over the years ahead.

QPE

QPE achieved the successful listing of its fund before the events of last July, and through a somewhat volatile set of market conditions, has been a careful investor. It has made a number of new investments, and its team continues to be very active.

Its positioning as a value added partner to small and mid-sized public companies is increasingly well understood; the 3i brand is helpful as is 3i's international network.

Just as our other business lines, QPE operates within our one firm culture and so can draw on the firm's resources as it looks to grow and develop companies.

CONFIDENT IN OUR POSITIONING

Which is why as I look across each of our four major business lines I am confident in our strategy, even in these more challenging times.

Each of them has a strong position and good opportunity to develop further.

- Mid market Buyouts continues to be a good place to be; the track record of our team is exceptional, and now we have an excellent banking team which makes a particular difference at this time

- Our Growth Capital business has been building a deep origination pipeline. We believe at the right stage the Growth capital business, which today is funded substantially by 3i only resources, given its progress and the extent of its opportunity will be able to consider raising third party, probably LP funds.

- Infrastructure has good opportunity to grow and has a different correlation to our other business lines

- And our QPE business is up and running at a good time in the cycle

VENTURE GOING FORWARD

Still under the heading of strategy, I'd also like to say a few words about our Venture activity.

During the year we looked carefully at all aspects of our business, and concluded that the completion of our move towards late stage investing within Venture, meant that the best way forward from a market perspective was to bring this activity under the umbrella of our Growth business, where we are expanding our Technology and Healthcare sector teams.

As regards the existing Venture portfolio, which is about 12% of our direct portfolio, this will be managed as a separate activity. We will manage this portfolio for value, and continue to report separately on its returns.

GROWTH IN ASSETS UNDER MANAGEMENT

The long-term trends in our industry have been driven by growth in assets managed.

Likewise our own strategy sees this as a major source of shareholder value.

And our figures today show that this growth is now starting to come through.

Our internal aspiration over the last couple of years has been to grow assets under management to over €20 billion by the end of 2010. We believe the market potential is there for us to do this, and also that we have the capabilities to deliver on it.

This year's closing figure for assets managed shows excellent progress during the year, and builds on the significant progress during the prior year.

Looking forward, the figures for each year will not necessarily climb in a linear fashion.

The mix of own and third party funds could be closer to 50/50 by 2010.

If so, the effect of this change in our profile will be seen in increasing fees, better cost ratios, and lower perceived and actual volatility of returns.

Subjects I am sure we shall return to.

VALUATION BASIS
Before I hand over to Julia, I'd also like to address valuations.

On this slide we have split out our portfolio by valuation method.

In the detailed press release you will find additional information, and in our annual report we shall be giving worked examples to show how a typical investment starts life at cost, then, if it is on plan, normally achieves a first time uplift in value as it becomes valued on an earnings basis, sometimes for a number of reporting periods, before then moving through to an imminent sale or a fully realised basis.

The proportion of our portfolio on a quoted basis has increased, mainly due to our shareholdings in 3i QPE Ltd and 3i Infrastructure Ltd being included in the figures.

Other has also gone up, as it includes ACR our reinsurance investment, which has been valued according to industry specific norms, and also our balance sheet investment in AWG, which is on a DCF basis.

The value of those valued on an earnings basis has also increased, not least as Julia will explain, as the increase in earnings has more than offset the reduction in multiples.

And lastly, the value of investments made last year. These of course are valued at cost, less provisions. We have reviewed these investments carefully, have made a small provision on one asset which is performance related, and are comfortable with the valuation of the remainder.

CONVERTIBLE
And finally, financing. Julia will be taking you through our results and balance sheet in just a few minutes, but before that, I just wanted to comment on the new bond which we announced today.

As you know our existing €550m convertible matures in August this year.

It has provided a great deal of flexibility in our capital planning, at attractive rates of return.

As it matures, we have decided to replace it with a new bond, this time sterling denominated.

Given our view on 3i and our present valuation, we have decided to put in place a call spread overlay arrangement with the book runners in order to take the effective conversion premium up to 60 percent from launch price.

It will have a three year maturity, and we expect to price it tonight and announce its terms later today or tomorrow.

We have also said that we shall be prepared to purchase existing bonds on an opportunistic basis.

I'd now like to hand over to Julia to take you through more detail.

CLOSING REMARKS – NAME SLIDE
Thank you, Julia.

SUMMARY
Our efforts over the last few years have delivered a reshaped Group.

As you can see, the benefits are now starting to show through

- In assets under management
- In costs
- In fees

We are determined to build on this great platform, growing our third party assets where we can.

GROWTH IN NET ASSET VALUE
I'd like to close by commenting on NAV, which as you can see from this slide, has shown another substantial increase, even after the 33p dilution of last year's B share issue.

Looking back, by any measure the business has performed very well.

And looking forward we are confident in strategy and realistic in outlook. Why?

We believe our closing valuations are appropriate.

Private equity carried interest schemes keep our people very much focussed on producing value, whatever the external environment.

Our assets, although fair-valued, are interests in real companies, with order books, employees and cash flow.

We are actively engaged with the management teams.

We know why we have invested.

Through our relationships we can draw on significant resources outside the firm.

And our investments are highly diversified.

IMMEDIATE OUTLOOK

Looking to the next twelve months we will remain highly selective with respect to new investment.

The markets, our markets, are throwing up opportunity and our teams are busy, on both investments and divestments.

Realisations will be achieved, but will be fewer in number perhaps than the recent past.

Our current view is that we shall be broadly balanced between new investment and realisations, and so year-end debt will be very similar to opening net debt.

That’s why we enter the new year confident in our strategy and realistic in outlook.

We very much intend to make further progress, in order to build on the reshaping that has been achieved over the last few years.

Thanks for your attention. I’d now like to move to Questions and Answers, where I shall also involve the Business Line heads who are sitting near me at the front of the auditorium.

As this meeting is being webcast, can I ask you to use the microphones provided, and to state your name and organisation.

Many thanks.

3i Annual results to 31 March 2008

Julia Wilson's script

Julia Wilson title slide – Financial review

Thank you Phil and good morning everybody.

Financial performance headlines

I'm now going to take you through the results that Phil has already shown you, in some more detail and, in particular, highlight the good performance against the challenging market environment that we've seen for a substantial part of this year.

Total return analysis

Let me take you through the key components that make up that financial result

- Gross portfolio return for the year was 23.9%
- Net portfolio return was 16.9% and
- Total return on opening equity was 18.6%

Gross portfolio return

So starting with gross portfolio return

Realised profits as you know are a function of the level of activity and the amount of uplift on opening book value.

In line with what we had been expecting, those profits are lower at £523m than last year's exceptional level.

But, importantly, at 43% the uplift on the opening book remained strong and ahead of the long-term average.

Unrealised profits at £291m reflect the continuing strength in the portfolio and I'll cover this in more detail shortly.

And I should just finally note that portfolio income, at £227m, accounted for 22% of the total GPR.

Unrealised profits

So turning to unrealised profits of £291m.

As expected in the current markets, we saw a significant drop in multiples, giving rise to £162m reduction in value.

However, this has been more than offset by strong earnings growth at £307m for those assets valued on an earnings basis both times and also in first time uplifts of £154m.

I'll come back to both of these items in a moment.

Provisions, at £188m, are higher but are compared to an exceptionally low level in the prior period of £71m, which was only 1.7% of the opening portfolio value.

Uplifts to sale are obviously highly dependent on the timing of transactions relative to the period end and the £83m we see here is substantially accounted for by one asset, Giochi Preziosi which is due to complete shortly.

Finally, nothwithstanding the market volatility,

there is a net **gain** on the quoted portfolio which includes:

- IPOs such Mundra Ports and Telecity and
- the positive uplift on 3i Infrastructure Limited's share price.

Earnings multiples

So to give you some more detail about earnings multiple movements.

This year in the Report and Accounts we are giving a lot more information about the valuation bases that we use.

In particular, as we now have a smaller number of larger assets, we are using more specific multiples to value those assets.

70% of assets valued on an earnings basis use EBITDA multiples.

So I thought it was important to show you the movement in the EBITDA multiple, as well as the movement in the weighted average PE multiple, which I know a number of you track.

The shape of the movement in those multiples is broadly the same;

the EBITDA multiple has moved from 6.8 at the beginning of the year to 5.8 at the end of year, albeit up to 7.2 to in the middle.

Earnings growth

Coming back to earnings growth, which as I said, more than compensated for that downward movement in the multiples.

Just to remind you that

- £307m of unrealised profits relate to earnings growth from assets valued on earnings both times and
- there was a contribution of £154m for first time uplifts.

To give you a sense of how that earnings growth has been achieved, of the top 50 assets 21 of those assets are valued on an earnings or equivalent basis

- 10 of those 21 showed an increase of more than 20%
- and only 1 of those assets showed an actual decline in earnings

Provisions

We obviously had a good look at provisions as part of the year end valuation process

And consistent with the good portfolio performance, at 4.3% of the opening portfolio value, the level has returned to a more usual level compared to the exceptionally low amount that we saw in the previous period.

I think it is reasonable therefore to draw a conclusion that our portfolio currently continues to perform well.

So how does all of that solid performance translate through to individual business line performance?

Buyouts – performance

Just to remind you, we manage on the basis of both:

- long term vintage IRR performance, consistent with the industry measures;
- as well as our Group financial performance, which we track through the accounting gross portfolio return.

Starting first with Buyouts, which as you'll recall accounts for about 34% of our direct portfolio value and some £4.6 billion of the total assets under management.

Looking at the long-term vintage IRR performance for Buyouts, you'll see that, as at 31 March 2008, all of the vintages are performing well ahead of the 20% across-the-cycle target and, in particular, I would note the 2005 vintage which at 62% is clearly exceptional.

On an accounting basis, we have also seen a very good year with gross portfolio return shown at the bottom of the slide, of 57%, reflecting both the continuing strong realised profits that I have already talked about and that good performance in value growth.

Growth Capital – performance

Looking at Growth Capital, where we have continued to invest strongly in the year and which now accounts for 39% of our balance sheet and some £2.5 billion of the total assets under management.

Long term vintage IRR performances continue to be strong in this business line as well, and again are ahead of the 20% across-the-cycle target up to 2006 and in 2007, an early vintage at 17% looks encouraging.

Looking at the accounting gross portfolio return of 21%,this is still in line with where we would expect it to be and compared to an exceptional return in the prior period, which saw some particularly high realised profits and uplifts to sale at the end of the accounting period, which completed early in this one.

Venture Capital – performance

Turning to Venture Capital, which, as you heard from Phil earlier on:

- has now substantially completed its transition from early to late stage investment, and
- will now be managed as a separate portfolio.

It accounts for only 12% of our balance sheet and £756m of assets under management

As we have said before,

- due to the J-curve effect it is difficult to read the more recent vintage IRRs
- which still have substantially all of their cost remaining
- but we will continue to report these separately as they progress.

Infrastructure

And so to Infrastructure and Quoted Private Equity, both of which are structured differently to the previous business lines and so the returns to the 3i Group results are produced in a different manner.

Through the use of third party listed vehicles we see:

- unrealised movements coming through as a result of changes in their share price, and importantly
- returns supplemented by regular fee income.

Looking specifically at Infrastructure:

- unrealised profits of £43m show the strong performance in 3i Infrastructure Limited’s share price,
- a reduction in portfolio income reflecting the transfer of assets on the formation of 3i Infrastructure last year and
- fees starting to come through at £18m in the period.

Phil has already mentioned the completion of the 3i India Infrastructure fund and this substantially accounts for the increase in assets under management to £1.2billion at the end of the period.

Quoted Private Equity

Quoted Private Equity, formed in June of this financial year, is at an earlier stage of its investment and the £42m unrealised loss is almost entirely attributable to the movement in 3i QPE Limited's share price since launch.

The assets under management of £411m includes the initial 3i cash contribution to that vehicle of £181m.

Net portfolio and total return

Looking then at net carried interest and operating expenses, which take us from that gross portfolio return of £1bn to net portfolio return of £735m.

Net carried interest

Net carried interest in the period was £92m, and increased due to a number of factors:

Firstly, the asymmetry between our carry payable to investment staff on all investments and carry receivable only currently being received where there are third party funds, in other words Buyouts.

Every year, the blend of funds within a particular gross portfolio return is obviously different. This is the principal reason for the reduction in carry receivable in the year.

Finally, the other factor that has increased the carry payable is the higher level of realisations, specifically from more recent vintages.

These are subject to newer carry schemes where we have moved to a market comparable basis and therefore higher carry rates.

Operating expense five year trend

You will recall that last year we introduced a new key performance indicator for costs.

This cost ratio is defined as gross operating expenses less fee income as a percentage of opening portfolio value, with a long-term target of 3%.

I am pleased to report that net operating expenses in the period, that is gross costs after fees, remained flat, and our cost ratio fell from 5.3% to 5%. As you can see from the dotted line, we believe that we are well on track to achieve our long-term target of 3%.

Gross costs increased by 7.5%, a much lower rate of increase than in recent periods. You'll recall that the more substantial increases we saw in earlier periods:

- are entirely consistent with our strategy of laying down capabilities before assets, and
- reflected our international and business line expansion including Asia and the opening of the New York office

Total return analysis

To complete the total return analysis, a few comments on the items from net portfolio return down to total return on opening equity.

The most significant item is the £158m movement in the fair value of derivatives:

- which is substantially accounted for by the movement in the derivative on the convertible bond,
- a consequence of the fall in the share price during the period.

Reserve movements include:

- a £41m actuarial loss in respect of the UK defined benefit scheme
- in anticipation of a further update in mortality improvement

Having taken you through the income statement then in some detail, let's look at the balance sheet and how the shape of that has changed since the beginning of the year.

Balance sheet

As you know, we aim to operate within an optimum gearing ratio of net debt to shareholders' funds of 30 to 40%. In line with the strategy to improve capital efficiency, gearing increased to 30% at September following the return of £800m to shareholders in the summer.

We use currency debt as part of our strategy to hedge the investment portfolio so translation differences are included in the gearing ratio calculation. Foreign exchange movements on the Euro, for example, added about 4% to the gearing.

Then net investment, and share buy-backs in the second half of the year, meant we closed the year with gearing at 40%.

Investment assets

For those of you who like to reconcile the closing portfolio to the numbers you have seen elsewhere this slide shows you how the numbers track through.

And I would just note there that of that £422m, approximately £350m accounts for foreign exchange, which corresponds to and is hedged by the movements we have seen on the liability side of the balance sheet and through the gearing.

Liquidity and funding

And then finally, in the current markets, I think everybody is interested in liquidity and funding and so I'd like to show you some more information about our current position.

We closed the year with liquid resources and undrawn facilities of just over £1bn, and a robust funding position to support growth opportunities in our business.

Our liquidity includes undrawn committed facilities of £286m and cash and cash deposits held in a wide variety of financial institutions, with credit ratings of AA or higher.

With regard to our funding:

- we have announced today our plans to refinance our existing convertible bond and;
- more than half of our borrowings have a term of more than four years, including £600m maturing in 2023 and 2032

Our current credit rating is A+ with Standard and Poors and A1 with Moody's.

Financial summary
So, to summarise.

A good financial performance in 2008

Capital efficiency has improved through the return of capital and increasing investment.

Our cost efficiency has also improved.

And we completed the year with strong liquidity and have announced a new convertible bond.

So on that note, I will hand back over to Phil.