Interim Report

for the six months ended 30 September 2007

HSBC Infrastructure Company Limited

A

B

C

A **Cleveland & Durham Police Tactical Training Centre**
Providing 6,200 places for police officers every year, this £6 million purpose-built facility trains officers in the use of firearms and was the first of its kind to be developed under PFI

B **Metropolitan Police Specialist Training Centre**
Based in Gravesend, Kent, the Metropolitan Police Specialist Training Centre was completed in 2003 and provides training in two disciplines: public order training and specialist firearms training

C **Greater Manchester Police Authority**
Heywood Police Station is one of 17 police facilities built by John Laing Construction for the Greater Manchester Police Authority and which are now occupied by 3,000 police officers

D **South East London Police Stations**
Bromley Police Station is one of four police stations in south-east London built by John Laing Construction for the Metropolitan Police, at a cost of £80 million

D

1 Highlights
2 Results on an Investment basis
2 Net Asset Values
2 Results on a Consolidated IFRS basis
3 Information on HSBC Infrastructure Company Limited
4 Portfolio
5 Chairman's Statement
7 Investment Adviser's Summary Report
9 Unaudited consolidated proforma income statement
10 Unaudited consolidated proforma balance sheet
11 Unaudited consolidated proforma cash flow
12 Notes to the unaudited consolidated proforma financial statements
13 Directors' statement of responsibilities
14 Independent review report to HSBC Infrastructure Company Limited (HICL)
15 Condensed consolidated income statement
16 Condensed consolidated balance sheet
17 Condensed consolidated statement of changes in shareholders' equity
18 Condensed consolidated cash flow statement
19 Notes to the condensed consolidated financial statements
23 Directors and Advisers

The Directors of HSBC Infrastructure Company Limited announce the results for the six months ended 30 September 2007.

Highlights

Net asset value per share at 30 September of 122.1p on a consolidated IFRS basis and 122.3p on an investment basis.

Directors' valuation of the portfolio at 30 September 2007 of £384.1m, up from £342.0m at 31 March 2007, a 12.3% increase.

New interests acquired in 4 PFI police projects in August for £36.5m.

And since 30 September 2007

Additional investments in 6 projects acquired from Kajima Partnerships Ltd for £30.2m.

The proposed acquisition of an additional stake in Home Office project for £14.4m, which is subject to shareholder approval at an Extraordinary General Meeting to be held on 17 December 2007.

Results on an Investment basis

Profit before tax and gains on investments (capital)	£4.5m	(2006 : £5.5m)
Gains on investments (capital)	£5.6m	(2006 : £14.5m)
Profit before tax	£10.1m	(2006 : £20.0m)
Earnings per share	4.0p	(2006 : 8.0p)
Interim distribution per share	3.05p	(2006 : 2.875p)

2006 comparatives are for the period 11 January to 30 September 2006

Net Asset Values

	Consolidated IFRS basis	Investment basis
Net Asset Value (NAV) per share at listing	98.4p	98.4p
Net Asset Value (NAV) per share at 30 September	122.1p	122.3p
Interim distribution per share	3.05p	3.05p
NAV per share at 30 September after deducting the interim distribution	119.05p	119.25p
NAV per share at 31 March 2007 after deducting the final distribution	121.2p	118.3p

Results on a Consolidated IFRS basis

(Loss)/Profit before tax and gains on investments (capital)	(£14.5m)	(2006 : £4.6m)
Gains on investments (capital)	£12.0m	(2006 : £18.9m)
(Loss)/Profit before tax	(£2.5m)	(2006 : £23.5m)
Earnings per share	0.9p	(2006 : 8.5p)
Interim distribution per share	3.05p	(2006 : 2.875p)

2006 comparatives are for the period 11 January to 30 September 2006 and have been restated to reflect the adoption of the principles of IFRIC 12.

The Director's valuation of the portfolio as at 30 September is £384.1m, of which £22.3m is represented by future capital commitments not yet funded.

Information on HSBC Infrastructure Company Limited

HSBC Infrastructure Company Limited ("HICL" or the "Company" or, together with its 100% owned subsidiaries, the "Group") was the first investment company listed on the London Stock Exchange set up to invest in infrastructure projects. It was successfully launched in March 2006 and raised £250m with which it purchased an initial portfolio (the "Initial Portfolio") of interests in 15, mostly operational, PFI/PPP projects. It now has a portfolio of 26 interests in infrastructure projects in the UK and the Netherlands, plus a mezzanine loan interest in Kemble Water, the Thames Water acquisition vehicle.

The Company paid a total distribution for the first period to 31 March 2007 of 6.1p and is targeting a progressive distribution policy and growth of annual distributions to 7.0p per share within 6 to 9 years. The long-term target Internal Rate of Return ("IRR") is 7 to 8% (based on the issue price of 100p).

The Investment Adviser to the Company is HSBC Specialist Fund Management Limited, who is authorised and regulated by the Financial Services Authority, and is a subsidiary of HSBC Specialist Investments Limited, HSBC's infrastructure and real estate investment arm. The HSBC equity infrastructure team now comprises 18 members of which 6 are dedicated to advising the Company.

The Company's investment policy is set out on the Company's website and includes investing in PFI/PPP type projects, utilities, transportation assets such as toll roads, bridges and railways, and renewable energy and power assets.

Company web site: **www.hicl.hsbc.com**

Portfolio

as of November 2007

Accommodation

- Home Office
- Colchester Garrison
- Health & Safety HQ

Education

- Health & Safety Laboratories
- Conwy Schools
- Helicopter Training Facility
- Defence 6th Form College
- Pinnacle Schools, Fife
- Ealing Schools
- North Tyneside Schools
- Wooldale Centre
- Darlington Schools
- Haverstock School

Health

- Bishop Auckland Hospital
- West Middlesex Hospital
- Central Middlesex Hospital
- Blackburn Hospital
- Barnet Hospital
- Stoke Mandeville Hospital

Law & Order

- Sussex Custodial
- Exeter Crown Court
- GMPA Police Stations
- MPA SEL Police Stations
- MPA Firearms Training
- D & C Tactical Training

Transportation

- Dutch High Speed Rail

Utilities

- Kemble Water Junior Loan

Acquired since Mar 07

Chairman's Statement

On behalf of the board, I am pleased to report that the Company has achieved good progress during the six months to 30 September 2007, with all investments performing in line with, or better than, our projections.

Financial results for the six months

On an investment basis, profit before tax was £10.1m (2006 : £20.0m). The gain on investments derived from the valuation movement of the portfolio was lower than the previous corresponding period. Earnings per share were 4.0p (2006 : 8.0p).

On a consolidated IFRS basis, the loss before tax was £2.5m (2006 : profit of £23.5m). The loss before tax was the result of a downward revaluation of the finance debtor in one of our project subsidiaries, following a change to the implicit rate of interest applied in the financial model. On a consolidated IFRS basis, earnings per share were 0.9p (2006 : 8.5p).

The net asset value (NAV) per share on a consolidated IFRS basis was 122.1p, compared to 124.4p at 31 March 2007. On an investment basis the NAV per share was 122.3p (121.5p as at 31 March 2007).

The Group is carrying an asset of £4.1m at the period end which relates to an amount of withholding tax to be reclaimed on loan stock interest received from projects. The receipt of cash payments against this tax asset is taking longer to finalise than originally anticipated although, after taking advice from the Group's tax advisers and seeking Counsel's opinion, we remain confident that our submission to HM Revenue & Customs is a valid one. The Group and its advisers are seeking a timely resolution of our claim.

Distributions

The Directors have approved an interim distribution of 3.05p per share that will be paid on 27 December 2007 to shareholders on the register as at 30 November 2007. As outlined at the time of the IPO, it was envisaged that in the first two financial years distributions may be paid from the Group's gross income. Gross income in the period to 30 September 2007 was £14.7m on an investment basis, equating to 5.9p per share.

Valuation

The Investment Adviser has produced fair market valuations of the Group's investments as at 30 September 2007 based on a discounted cash flow analysis. The Directors have satisfied themselves on the valuation methodology and the discount rates used.

The Directors have approved the valuation of £384.1m before deducting loanstock commitments of £22.3m as at 30 September 2007, giving a net asset value per share of 122.1p on a consolidated IFRS basis (122.3p on an investment basis).

Gearing

As at 30 September 2007, the Group had net debt of £55.6m (31 March 07 : £16.5m) in respect of loans on a recourse basis to the Group (equating to 14.5% of the Directors valuation of £384.1m). This funding has enabled the Group to make the recent acquisitions. On a consolidated IFRS basis, net debt stood at £201.8m at 30 September (31 March 2007 : £163.6m). All project companies have either bank borrowings with interest rate hedges or bonds with fixed interest rate payments, thus ensuring the Group's investments have minimal exposure to interest rate volatility.

The Investment Adviser is currently in the process of refinancing the Group's existing debt facilities. New facilities are expected to be concluded shortly.

As has been previously noted, since the Company was effectively fully invested at the time of the IPO launch with the purchase of the Initial Portfolio, subsequent investments have been funded by debt. The Company is currently considering with its advisers the options to enable the Company to continue the successful growth of the portfolio.

Portfolio development

The portfolio of projects owned by the Group continues to perform in line with our long-term objectives and there are no material operational or financial issues to report. All projects are fully operational with the exception of Phase 2 of the Colchester Garrison project, where construction is proceeding ahead of programme, with completion now forecast for Q1 2008.

In August the Group acquired new interests in four UK police PFI projects from a subsidiary of Allianz SE. These additional interests were acquired for a total consideration of £36.5m. The four projects comprise of police stations in Manchester and South East London, a firearms and public order training facility at Gravesend and a firearms and tactical training centre at Urlay Nook on the outskirts of Stockton.

Since the period-end, the Group has acquired interests in six further UK PFI projects, comprising 5 schools and a government office project. These investments were acquired from Kajima Partnerships Ltd for £30.2m and Kajima remains the joint shareholder and day-to-day operational manager of the facilities.

Accounting

At the period-end, the Company had four investments which it was deemed to control by virtue of having the power, directly or indirectly, to govern the financial and operating policies of the project entities. Under International Financial Reporting Standards ("IFRS"), the results of these companies are required to be fully consolidated into the Group's financial statements on a line-by-line basis.

In order to provide shareholders with a more meaningful representation of the Group's net asset value, coupled with greater transparency in the Company's capacity for investment and ability to make distributions, the results have been restated in proforma tables which are presented in the Investment Adviser's report. The proforma tables are prepared with all investments accounted for on an investment basis. By deconsolidating the subsidiary investments, the performance of the business under consolidated IFRS basis may be compared with the results under the investment basis.

Risks and uncertainties

The risks facing the Group for the remaining six months of the financial year are consistent with those outlined in the Company's Annual Report for the year ended 31 March 2007. Should the Group's discussions with HM Revenue & Customs become protracted, it may be necessary to consider an impairment review of the tax asset held, and to consider alternative ways to maintain future equity cashflows from the projects in the portfolio.

Outlook

Whilst the global credit crisis has affected many sectors, it has not had a noticeable impact on the infrastructure market. Transactions involving both PFI projects and larger infrastructure assets have taken place in the last 6 months. There is some evidence of a softening in the prices paid for PFI assets which is reflected in the change to the underlying discount rates used in the valuation.

Looking ahead, we remain positive in our ability to acquire new infrastructure assets which meet our investment criteria.

The Board has noted that the Company's share price has traded at a discount to NAV since May. The position is being monitored with our joint Brokers and we are reviewing our options.

In the current economic climate, the Group's portfolio of PFI projects, with public sector-backed revenue streams, continues to deliver an attractive, low risk yield. The interim distribution is consistent with our stated policy of progressive growth, an aim that is central to how we approach future market opportunities.

Graham Picken
Chairman
19 November 2007

Investment Adviser's Summary Report

Portfolio

Colchester Garrison is the only project in the portfolio where there is still construction of a part of the project to be completed. Construction remains ahead of programme and is due to be completed in Q1 2008. Standard & Poor's October review of the project and its £578m senior secured bonds resulted in them changing their outlook for the project from stable to positive, as a result of the good progress made on the construction of the remaining phase of the project.

The projects in the Group's portfolio have performed in line or better than expected. The Investment Adviser has been working with project company management to resolve a small number of teething problems on certain projects, the majority of which have now been addressed.

As reported at the time of the Company's Preliminary Results, a programme of work has commenced on certain of the projects in the portfolio seeking to both optimise the debt repayments and reduce the overall cost of the debt in these projects. This work is ongoing and will, when completed, lead to savings for both the Group and its public sector clients.

The asset managers in the Investment Adviser's team continue to oversee the performance of all the projects and the implementation of certain enhancements that have been identified. These include savings on insurance premia, treasury efficiencies, adding incremental income and maintaining costs to agreed operational budgets. This is all carefully managed in the context of ensuring that each project continues to deliver the required services to the client in line with the contractual requirements set out in the project documents.

Acquisitions

In August the Group completed the acquisition of a 50% interest in four police PFI projects from a subsidiary of Allianz SE for £36.5m.

The four police projects are:

- Metropolitan Police Specialist Training Centre – a firearms and public order training facility in Gravesend, Kent
- South East London Police Stations – 4 police station buildings for the Metropolitan Police Authority (London), in Deptford, Lewisham, Bromley and Sutton
- Greater Manchester Police Stations – 17 police station buildings on 16 sites around Greater Manchester
- Durham & Cleveland Firearms Training Centre – a firearms and tactical training centre at Urlay Nook on the outskirts of Stockton, northern England

The first three projects were developed by John Laing plc, were built by Laing O'Rourke plc, and operational support services are being provided by John Laing Integrated Services (formally Equion FM), the facilities management division of John Laing plc. The Durham & Cleveland Firearms Training Centre was built by Barr, the Scottish construction company, and is also operated by John Laing Integrated Services. All the projects are fully operational.

Since the period-end, the Group has completed the acquisition for £30.2m of 50% interests in five education projects and an accommodation project, through a new joint venture with Kajima Partnerships Ltd ('KPL'), a subsidiary of Kajima Corporation ('Kajima').

These six assets, all PFI accommodation projects, are:

- The headquarters of the Health & Safety Executive in Merseyside
- Ealing Schools, comprising one secondary school and three primary schools
- North Tyneside Schools, comprising one secondary school and three primary schools
- Wooldale Centre for Learning, comprising a secondary school with sixth form, public library, primary school and nursery
- Haverstock school, a new secondary school in London
- Darlington Schools consisting of an Education Village and one primary school

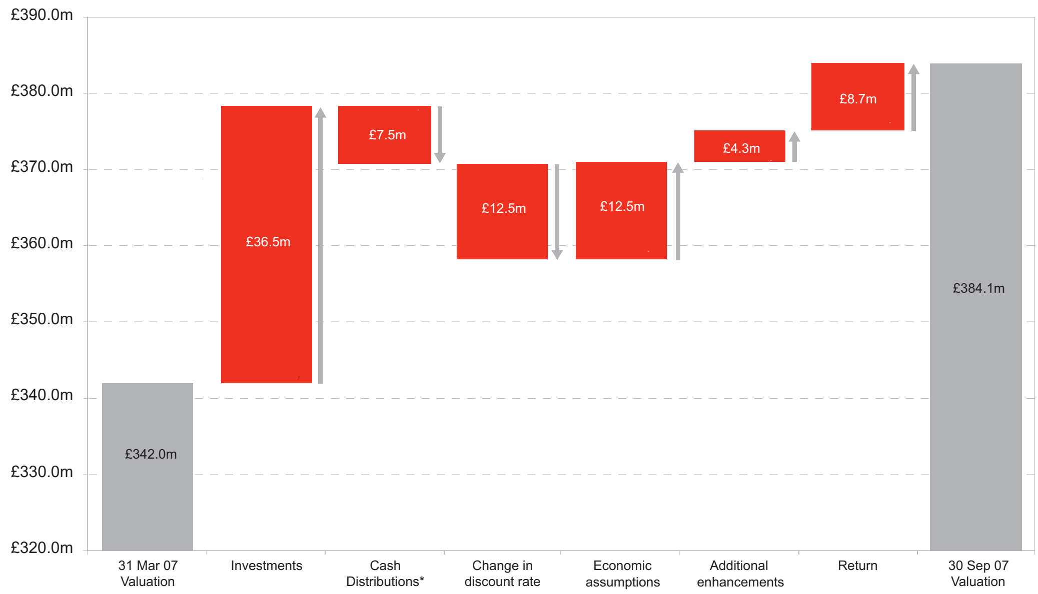
All six projects were developed by KPL and built by Kajima Construction Europe, Kajima's construction arm, and are now operational. The facilities management providers are Honeywell Control Systems Ltd and Reliance Integrated Services Limited for HSE's headquarters, and MITIE PFI Ltd for the five schools.

KPL will continue the day-to-day management of these projects and there is the opportunity for the Group to invest, through this joint venture, in other projects developed by KPL.

Market

The Investment Adviser has continued to see a steady stream of investment opportunities in the period, which have been subject to careful scrutiny. Only opportunities which meet the Company's investment criteria and have the required mix of yield with return profile are fully evaluated. Assets which fill these requirements have included PFI/PPP assets, regulated utilities in UK and Europe, and toll roads in the Far East. The Adviser continues to strengthen its growing network of contacts, which are introducing new propositions on a regular basis. These have included investments in regulated utilities, toll roads and the renewables sector.

Valuation movement in the period from March 2007 to September 2007



Grossed up for withholding tax of £1.2m paid in the period.

Valuation

As in previous periods the Investment Adviser, on the Company's behalf, has carried out fair market valuations of the Group's investments as at 30 September. The valuations were prepared in the same way as in previous periods, using a discounted cash flow (DCF) methodology. This is described in more detail in the Company's Annual Report & Consolidated Financial Statements for the period to 31 March 2007 (available to download from the Company's web site).

The Group's portfolio was valued as at 30 September 2007 at £384.1m, a 12.3% increase over the valuation at 31 March 2007. (A reconciliation between this valuation and that shown in the interim financial statements is given in Note 1 to the unaudited consolidated proforma financial statements, the principal difference relating to the undrawn loanstock commitment). Netting out acquisitions in the period of £36.5m, and investment receipts of £7.3m, the growth over the rebased value of £354.9m was 3.8%.

The discount rates used for valuing the projects in the portfolio as at 30 September 2007 range from 7.0% to 8.8%. The weighted average is 7.3% (compared with 7.0% at 31 March 2007). To arrive at a discount rate for each project, the Investment Adviser uses its judgement in arriving at the appropriate discount rate based on knowledge of the market, intelligence gained from bidding activities, discussions with market specialists and publicly-available information on transactions.

In deriving the valuation, the base discount rates have been increased reflecting higher gilt yields and, in our opinion, a slight reduction in market prices over the last 6 months. More prudent assumptions have also been adopted in relation to the refinancing potential (consistent with recent slight increases in PFI debt costs).

These factors have been offset in the valuation by improved project performance and the use of uniform economic assumptions for all UK projects, specifically assumptions on the long-term Retail Price Index of 2.75% pa and cash deposit rates of 5.0% p.a.

HSBC Specialist Fund Management Limited
19 November 2007

Unaudited consolidated proforma income statement

for the period ended 30 September 2007

	Six months ended 30 September 2007				
	Investment basis			Consolidation adjustments	Consolidated IFRS basis
	Revenue £million	Capital £million	Total £million	£million	£million
Services revenue	–	–	–	10.6	10.6
Losses on finance receivables	–	–	–	(6.4)	(6.4)
Gains on investments	9.1	5.6	14.7	(2.7)	12.0
Total income	9.1	5.6	14.7	1.5	16.2
Services costs	–	–	–	(8.1)	(8.1)
Administrative expenses	(3.0)	–	(3.0)	(0.4)	(3.4)
Profit before net finance costs and tax	6.1	5.6	11.7	(7.0)	4.7
Finance costs	(1.7)	–	(1.7)	(5.8)	(7.5)
Finance income	0.1	–	0.1	0.2	0.3
Profit/(loss) before tax	4.5	5.6	10.1	(12.6)	(2.5)
Income tax credit	–	–	–	3.0	3.0
Profit for the period	4.5	5.6	10.1	(9.6)	0.5
Attributable to:					
Equity holders of the parent	4.5	5.6	10.1	(7.8)	2.3
Minority interests	–	–	–	(1.8)	(1.8)
	4.5	5.6	10.1	(9.6)	0.5
Earnings per share – basic and diluted *(pence)*	1.8	2.2	4.0	(3.1)	0.9

	Period from 11 January 2006 to 30 September 2006*				
	Investment basis			Consolidation adjustments	Consolidated IFRS basis
	Revenue £million	Capital £million	Total £million	£million	£million
Services revenue	–	–	–	10.2	10.2
Gains on finance receivables	–	–	–	8.4	8.4
Gains on investments	6.6	14.5	21.1	(2.2)	18.9
Total income	6.6	14.5	21.1	16.4	37.5
Services costs	–	–	–	(8.2)	(8.2)
Administrative expenses	(1.8)	–	(1.8)	(0.5)	(2.3)
Profit before net finance costs and tax	4.8	14.5	19.3	7.7	27.0
Finance costs	(0.2)	–	(0.2)	(4.3)	(4.5)
Finance income	0.9	–	0.9	0.1	1.0
Profit before tax	5.5	14.5	20.0	3.5	23.5
Income tax expense	–	–	–	(1.5)	(1.5)
Profit for the period	5.5	14.5	20.0	2.0	22.0
Attributable to:					
Equity holders of the parent	5.5	14.5	20.0	1.3	21.3
Minority interests	–	–	–	0.7	0.7
	5.5	14.5	20.0	2.0	22.0
Earnings per share – basic and diluted *(pence)*	2.2	5.8	8.0	0.5	8.5

*Restated to reflect the adoption of the principles of IFRIC 12. See Note 2 of the Notes to the condensed consolidated financial statements for further details.

See Note 2 of Notes to the condensed consolidated financial statements for the definition of revenue and capital items.

Unaudited consolidated proforma balance sheet

as at 30 September 2007

	30 September 2007 Investment basis £million	30 September 2007 Consolidation adjustments £million	30 September 2007 Consolidated IFRS basis £million	31 March 2007 Investment basis £million	31 March 2007 Consolidation adjustments £million	31 March 2007 Consolidated IFRS basis £million
Non-current assets						
Investments at fair value through profit or loss	361.8	(27.3)	334.5	319.7	(25.8)	293.9
Finance receivables at fair value through profit or loss	–	163.2	163.2	–	176.2	176.2
Intangible assets	–	29.1	29.1	–	30.1	30.1
Deferred tax assets	–	8.1	8.1	–	9.8	9.8
Total non-current assets	361.8	173.1	534.9	319.7	190.3	510.0
Current assets						
Trade and other receivables	4.1	3.3	7.4	3.0	5.0	8.0
Current tax assets	–	0.1	0.1	–	–	–
Cash and cash equivalents	46.5	11.1	57.6	49.1	10.6	59.7
Total current assets	50.6	14.5	65.1	52.1	15.6	67.7
Total assets	412.4	187.6	600.0	371.8	205.9	577.7
Current liabilities						
Bank overdraft	–	–	–	(0.4)	–	(0.4)
Trade and other payables	(4.2)	(14.2)	(18.4)	(2.4)	(17.4)	(19.8)
Loans and borrowings	(102.1)	(8.4)	(110.5)	(65.2)	(8.5)	(73.7)
Total current liabilities	(106.3)	(22.6)	(128.9)	(68.0)	(25.9)	(93.9)
Non-current liabilities						
Loans and borrowings	–	(148.9)	(148.9)	–	(149.2)	(149.2)
Other financial liabilities (fair value of derivatives)	(0.3)	(5.7)	(6.0)	–	(5.3)	(5.3)
Deferred tax liabilities	–	(10.0)	(10.0)	–	(14.7)	(14.7)
Total non-current liabilities	(0.3)	(164.6)	(164.9)	–	(169.2)	(169.2)
Total liabilities	(106.6)	(187.2)	(293.8)	(68.0)	(195.1)	(263.1)
Net assets	305.8	0.4	306.2	303.8	10.8	314.6
Equity						
Shareholders' equity	305.8	(0.5)	305.3	303.8	7.3	311.1
Minority interest	–	0.9	0.9	–	3.5	3.5
Total equity	305.8	0.4	306.2	303.8	10.8	314.6
Net assets per share *(pence)*	122.3	(0.2)	122.1	121.5	2.9	124.4

Unaudited consolidated proforma cash flow

for the period ended 30 September 2007

	Six months ended 30 September 2007			Period from 11 January 2006 to 30 September 2006*		
	Investment basis £million	Consolidation adjustments £million	Consolidated IFRS basis £million	Investment basis £million	Consolidation adjustments £million	Consolidated IFRS basis £million
Cash flows from operating activities						
Profit/(loss) before tax	10.1	(12.6)	(2.5)	20.0	3.5	23.5
Adjustments for:						
Gains on investments	(14.7)	2.7	(12.0)	(21.1)	2.2	(18.9)
Losses/(Gains) on finance receivables	–	6.4	6.4	–	(8.4)	(8.4)
Interest payable and similar charges	1.4	5.4	6.8	0.2	5.9	6.1
Changes in fair value of derivatives	0.3	0.4	0.7	–	(1.6)	(1.6)
Interest income	(0.1)	(0.2)	(0.3)	(0.9)	(0.1)	(1.0)
Amortisation of intangible assets	–	1.1	1.1	–	1.1	1.1
Operating cash flow before changes in working capital	(3.0)	3.2	0.2	(1.8)	2.6	0.8
Changes in working capital:						
(Increase)/decrease in receivables	(0.1)	0.7	0.6	(0.2)	(3.4)	(3.6)
Increase in payables	0.4	0.1	0.5	1.8	1.3	3.1
Cash flow from operations	(2.7)	4.0	1.3	(0.2)	0.5	0.3
Interest received on bank deposits and finance receivables	0.1	3.7	3.8	1.0	3.2	4.2
Cash received from finance receivables	–	4.3	4.3	–	4.6	4.6
Interest paid	(0.4)	(5.3)	(5.7)	(0.2)	(6.3)	(6.5)
Corporation tax paid	–	(0.2)	(0.2)	–	(0.2)	(0.2)
Net cash from operating activities	(3.0)	6.5	3.5	0.6	1.8	2.4
Cash flows from investing activities						
Purchases of investments	(34.7)	0.1	(34.6)	(195.0)	21.0	(174.0)
Interest received on investments	5.2	(0.6)	4.6	1.9	(0.1)	1.8
Dividends received	0.5	(0.4)	0.1	0.4	(0.2)	0.2
Fees and other operating income	0.1	–	0.1	0.9	–	0.9
Acquisition of subsidiaries net of cash acquired	–	–	–	–	(7.2)	(7.2)
Purchase of minority interests	–	–	–	–	(2.1)	(2.1)
Loanstock and equity repayments received	0.6	(0.1)	0.5	6.9	(0.4)	6.5
Net cash used in investing activities	(28.3)	(1.0)	(29.3)	(184.9)	11.0	(173.9)
Cash flows from financing activities						
Proceeds from issue of share capital	–	–	–	246.1	–	246.1
Proceeds from issue of loans and borrowings	37.1	–	37.1	–	1.8	1.8
Repayment of loans and borrowings	–	(4.1)	(4.1)	–	(4.0)	(4.0)
Distributions paid to Company shareholders	(8.1)	–	(8.1)	–	–	–
Distributions paid to minorities	–	(0.8)	(0.8)	–	(0.5)	(0.5)
Net cash from financing activities	29.0	(4.9)	24.1	246.1	(2.7)	243.4
Net (decrease)/increase in cash and cash equivalents	(2.3)	0.6	(1.7)	61.8	10.1	71.9
Cash and cash equivalents at beginning of period	13.8	10.3	24.1	–	–	–
Cash and cash equivalents at end of period	11.5	10.9	22.4	61.8	10.1	71.9

*Restated to reflect the adoption of the principles of IFRIC 12. See Note 2 of the Notes to the condensed consolidated financial statements for further details.

Notes to the unaudited consolidated proforma financial statements

for the period ended 30 September 2007

1. Investments

The valuation of the Group's portfolio at 30 September 2007 reconciles to the condensed consolidated balance sheet as follows:

	30 September 2007 £million	31 March 2007 £million
Portfolio valuation	384.1	342.0
Less: undrawn loanstock commitments	(22.3)	(22.3)
Portfolio valuation on an investment basis	361.8	319.7
Less: equity and loanstock investments in operating subsidiaries eliminated on consolidation	(27.3)	(25.8)
Investments per condensed consolidated balance sheet	334.5	293.9

Directors' statement of responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and that the Interim management report includes a fair review of the information as required by 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules.

The Directors of HICL are stated in the Group's Annual Report for the period from 11 January 2006 to 31 March 2007.

On behalf of the Board

G Picken
Chairman
19 November 2007

Independent review report to HSBC Infrastructure Company Limited (HICL)

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprise the Condensed Income Statement, the Condensed Statement of Changes in Shareholders' Equity, Condensed Balance Sheet, Condensed Cash Flow Statement and the related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRS as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the period ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Channel Islands Limited
Chartered Accountants
20 New Street, St Peter Port
Guernsey GY1 4AN

19th November 2007

Condensed consolidated income statement

for the period ended 30 September 2007

	Note	Six months ended 30 September 2007 Unaudited Revenue £million	Capital £million	Total £million	Period from 11 January 2006 to 30 September 2006* Unaudited Revenue £million	Capital £million	Total £million
Services revenue		10.6	–	10.6	10.2	–	10.2
(Losses)/Gains on finance receivables		1.6	(8.0)	(6.4)	3.1	5.3	8.4
Gains on investments		7.9	4.1	12.0	5.9	13.0	18.9
Total income		20.1	(3.9)	16.2	19.2	18.3	37.5
Services costs		(8.1)	–	(8.1)	(8.2)	–	(8.2)
Administrative expenses	*3*	(3.4)	–	(3.4)	(2.3)	–	(2.3)
Profit before net finance costs and tax		8.6	(3.9)	4.7	8.7	18.3	27.0
Finance costs		(6.8)	(0.7)	(7.5)	(6.1)	1.6	(4.5)
Finance income		0.3	–	0.3	1.0	–	1.0
Profit/(loss) before tax		2.1	(4.6)	(2.5)	3.6	19.9	23.5
Income tax (expense)/credit		(1.2)	4.2	3.0	(0.3)	(1.2)	(1.5)
Profit for the period		0.9	(0.4)	0.5	3.3	18.7	22.0
Attributable to:							
Equity holders of the parent		2.3	–	2.3	4.6	16.7	21.3
Minority interests		(1.4)	(0.4)	(1.8)	(1.3)	2.0	0.7
		0.9	(0.4)	0.5	3.3	18.7	22.0
Earnings per share – basic and diluted *(pence)*	*4*	0.9	–	0.9	1.8	6.7	8.5

*Restated to reflect the adoption of the principles of IFRIC 12. See Note 2 of the Notes to the condensed consolidated financial statements for further details.

All results are derived from continuing operations. See Note 2 of Notes to the condensed consolidated financial statements for the definition of revenue and capital items.

Condensed consolidated balance sheet

as at 30 September 2007

	Note	30 September 2007 Unaudited £million	31 March 2007 Audited £million
Non-current assets			
Investments at fair value through profit or loss	*8*	334.5	293.9
Finance receivables at fair value through profit or loss		163.2	176.2
Intangible assets		29.1	30.1
Deferred tax assets		8.1	9.8
Total non-current assets		534.9	510.0
Current assets			
Trade and other receivables		7.4	8.0
Current tax assets		0.1	–
Cash and cash equivalents		57.6	59.7
Total current assets		65.1	67.7
Total assets		600.0	577.7
Current liabilities			
Bank overdraft		–	(0.4)
Trade and other payables		(18.4)	(19.8)
Loans and borrowings		(110.5)	(73.7)
Total current liabilities		(128.9)	(93.9)
Non-current liabilities			
Loans and borrowings		(148.9)	(149.2)
Other financial liabilities (fair value of derivatives)		(6.0)	(5.3)
Deferred tax liabilities		(10.0)	(14.7)
Total non-current liabilities		(164.9)	(169.2)
Total liabilities		(293.8)	(263.1)
Net assets		306.2	314.6
Equity			
Ordinary share capital		25.0	25.0
Retained reserves		280.3	286.1
Total equity attributable to equity holders of the parent		305.3	311.1
Minority interests		0.9	3.5
Total equity		306.2	314.6
Net assets per share *(pence)*	*6*	122.1	124.4

Condensed consolidated statement of changes in shareholders' equity

for the period ended 30 September 2007

	Six months ended 30 September 2007 Unaudited				
	Attributable to equity holders of the parent			Minority interests	Total equity
	Share capital £million	Retained reserves £million	Total shareholders' equity £million	£million	£million
Profit for the period	–	2.3	2.3	(1.8)	0.5
Total recognised income and expense for the period	–	2.3	2.3	(1.8)	0.5
Shareholders' equity at 1 April 2007	25.0	286.1	311.1	3.5	314.6
Distributions paid to Company shareholders	–	(8.1)	(8.1)	–	(8.1)
Distributions paid to minorities	–	–	–	(0.8)	(0.8)
Shareholders' equity at 30 September 2007	25.0	280.3	305.3	0.9	306.2

	Period from 11 January 2006 to 30 September 2006* Unaudited					
	Attributable to equity holders of the parent				Minority interests	Total equity
	Share capital	Share premium** £million	Retained reserves £million	Total shareholders' equity £million	£million	£million
Profit for the period	–	–	21.3	21.3	0.7	22.0
Surplus arising on purchase of minority interests	–	–	0.2	0.2	(0.5)	(0.3)
Total recognised income and expense for the period	–	–	21.5	21.5	0.2	21.7
Shareholders' equity at 11 January 2006	–	–	–	–	–	–
Minority share of acquired businesses	–	–	–	–	1.3	1.3
Distributions paid to minorities	–	–	–	–	(0.5)	(0.5)
Ordinary shares issued	25.0	225.0	–	250.0	–	250.0
Costs of share issue	–	(3.9)	–	(3.9)	–	(3.9)
Transfer**	–	(221.1)	221.1	–	–	–
Shareholders' equity at 30 September 2006	25.0	–	242.6	267.6	1.0	268.6

*Restated to reflect the adoption of the principles of IFRIC 12. See Note 2 of Notes to the condensed consolidated financial statements for further details.

**The share premium account was cancelled by Court order on 21 July 2006 and the balance of £221.1million transferred to a new, distributable reserve which has been combined with retained earnings in these accounts.

Condensed consolidated cash flow statement

for the period ended 30 September 2007

	Six months ended 30 September 2007 Unaudited £million	Period from 11 January 2006 to 30 September 2006 Unaudited* £million
Cash flows from operating activities		
(Loss)/Profit before tax	(2.5)	23.5
Adjustments for:		
Gains on investments	(12.0)	(18.9)
Losses/(Gains) on finance receivables	6.4	(8.4)
Interest payable and similar charges	6.8	6.1
Changes in fair value of derivatives	0.7	(1.6)
Interest income	(0.3)	(1.0)
Amortisation of intangible assets	1.1	1.1
Operating cash flow before changes in working capital	0.2	0.8
Changes in working capital:		
Increase in receivables	0.6	(3.6)
Increase in payables	0.5	3.1
Cash flow from operations	1.3	0.3
Interest received on bank deposits and finance receivables	3.8	4.2
Cash received from finance receivables	4.3	4.6
Interest paid	(5.7)	(6.5)
Corporation tax paid	(0.2)	(0.2)
Net cash from operating activities	3.5	2.4
Cash flows from investing activities		
Purchases of investments	(34.6)	(174.0)
Interest received on investments	4.6	1.8
Dividends received	0.1	0.2
Fees and other operating income	0.1	0.9
Acquisition of subsidiaries net of cash acquired	–	(7.2)
Purchase of minority interests	–	(2.1)
Loanstock and equity repayments received	0.5	6.5
Net cash used in investing activities	(29.3)	(173.9)
Cash flows from financing activities		
Proceeds from issue of share capital	–	246.1
Proceeds from issue of loans and borrowings	37.1	1.8
Repayment of loans and borrowings	(4.1)	(4.0)
Distributions paid to Company shareholders	(8.1)	–
Distributions paid to minorities	(0.8)	(0.5)
Net cash from financing activities	24.1	243.4
Net (decrease)/increase in cash and cash equivalents	(1.7)	71.9
Cash and cash equivalents at beginning of period	24.1	–
Cash and cash equivalents at end of period**	22.4	71.9

*Restated to reflect the adoption of the principles of IFRIC 12. See Note 2 of the Notes to the condensed consolidated financial statements for further details.

**At 30 September 2007, £35.2million of bank balances was subject to contractual restrictions limiting the usage solely to service of debt.

Notes to the condensed consolidated financial statements

for the period ended 30 September 2007

1. Reporting entity

HSBC Infrastructure Company Ltd (the "Company") is a company domiciled in Guernsey, Channel Islands, whose shares are publicly traded on the London Stock Exchange. The interim condensed consolidated financial statements of the Company (the "interim statements") as at and for the period ended 30 September 2007 comprise the Company and its subsidiaries (together referred to as "the Group"). The Group invests in infrastructure projects in the UK and Europe.

Certain items of the accounting policies apply only to those investments of the Group which are classified for accounting purposes as subsidiaries ("the operating subsidiaries"). Where applicable, this is noted in the relevant accounting policy note.

2. Key accounting policies

Basis of preparation

The interim statements were approved by the Board of Directors on 19 November 2007.

The interim statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting'.

The interim statements have been prepared using the historical cost basis, except that the following assets and liabilities are stated at their fair values: derivative financial instruments and financial instruments classified at fair value through profit or loss. The interim statements are presented in sterling, which is the Company's and the subsidiaries functional currency.

The same accounting policies, presentation and methods of computation are followed in these interim statements as were applied in the preparation of the Group's financial statements for the period from 11 January 2006 to 31 March 2007, except for the adoption of new Interpretations, noted below. Adoption of these Interpretations did not have any effect on the financial position or performance of the Group.

- IFRIC 8 'Scope of IFRS 2'
- IFRIC 9 'Reassessment of Embedded Derivatives'
- IFRIC 10 'Interim Financial Reporting and Impairment'
- IFRIC 11/IFRS 2 'Group and Treasury Share Transactions'

Supplementary information has been provided analysing the income statement between those items of a revenue nature and those of a capital nature, in order to better reflect the Group's activities as an investment company. Those items of income and expenditure which relate to the interest and dividend yield of investments and annual operating and interest expenditure are shown as "revenue". Those items of income and expenditure which arise from changes in the fair value of investments, finance receivables and derivative financial instruments are recognised as capital.

The group's financial performance does not suffer materially from seasonal fluctuations.

Change to previously reported results

Comparative information has been presented for the period from 11 January 2006 to 30 September 2006. Certain items in the comparatives have been restated to reflect the adoption of the principles of International Finance Reporting Interpretations Committee Interpretation 12 'Service Concessions Arrangements' in the Group's financial statements for the period from incorporation to 31 March 2007. Also, certain items in the comparative figures have been reclassified in order to be consistent with the line disclosures made in those report and accounts.

The impact on previously reported results of these changes is set out below:

	Period from 11 January 2006 to 30 September 2006	
	As previously reported £million	**Adjusted*** £million
Total income	41.7	37.5
Profit for the period	22.3	22.0
Net cash from operating activities	5.6	2.4
Net cash used in investing activities	(177.1)	(173.9)
Net assets	269.7	268.6

*Adjusted figures include both the restatement and reclassification amendments.

3. Administrative Expenses

	Six months ended 30 September 2007 £million	Period from 11 January 2006 to 30 September 2006 £million
Audit & Accounting	0.1	0.1
Advisory fees	0.1	0.1
Management fees	2.1	1.6
Investment fees	0.4	–
Director's fees	0.1	0.1
Professional fees	0.2	0.2
Other fees	0.4	0.2
	3.4	2.3

4. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September 2007 £million	Period from 11 January 2006 to 30 September 2006 £million
Profit attributable to equity holders of the Company	2.3	21.3
Weighted average number of ordinary shares in issue	250.0	250.0
Basic and diluted earnings per share (pence)	0.9	8.5

5. Interim distribution

The Board has proposed an interim distribution for the period ended 30 September 2007 of 3.05 pence per share (30 September 2006 : 2.875 pence per share) which will result in a total distribution of £7.6million, payable on 27 December 2007. The interim distribution has not been included as a liability as at 30 September 2007.

The 2007 final distribution of £8.1million, representing 3.225 pence per share, was paid on 26 June 2007 and is included in the condensed consolidated statement of changes in shareholders' equity.

6. Net assets

The calculation of net assets per share is based on shareholders' equity of £305.3million at 30 September 2007 and 250million ordinary shares in issue at that date.

7. Tax

Income tax for the six month period includes a current period tax charge of £0.1million, off-set by a deferred tax credit of £2.8million and a £0.3million credit adjustment due to the change in UK corporate tax rate from 30.0% to 28.0% (2006 : current tax charge of £0.1million and deferred tax charge of £1.4million). The current period charge of £0.1million is a charge representing the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax income of the six month period.

Under the current system of taxation in Guernsey, the Company itself is exempt from paying taxes on income, profits or capital gains. Anticipated tax benefits of this type of income for the full year are reflected in computing the estimated annual effective income tax rate.

8. Investments at fair value through profit or loss

	30 September 2007 £million	31 March 2007 £million
Acquisition of Initial Portfolio	–	170.6
Opening balance	293.9	–
Investment in the period	36.5	78.6
Accrued interest	2.0	4.7
Repayments in the period	(0.5)	(8.8)
Gain on valuation	4.6	49.8
Other movements	(2.0)	(1.0)
Carrying amount at period end	334.5	293.9

Gain on valuation as above	4.6	49.8
Less: transaction costs incurred	(0.5)	(1.5)
Gains on investments	4.1	48.3

The Investment Adviser has carried out fair market valuations of the investments as at 30 September 2007. The valuation has been prepared in accordance with the European Venture Capital Association's Valuation Guidelines, using the Discounted Cash Flows methodology, which it considers to be the most appropriate valuation method.

9. Purchase of investment holding company

In August 2007 the Group acquired a 50.0% interest in the equity and the loanstock of four police PFI projects, through the acquisition of 100.0% interest in the vendor's investment holding company. The total consideration paid in cash for the interest in this project was £36.5million.

This transaction did not constitute a business combination and therefore the consideration was allocated between the individual assets and liabilities in the investment holding company based on their relative fair values at the date of acquisition.

10. Loans and borrowings

In August 2007, the Group renegotiated its unsecured bank loan held with HSBC Bank plc, increasing the loan facility to £107.5million. The loan is repayable in full within one year and bears interest at 1.0% above the banks sterling base rate. As at 30 September 2007, £67.2million of the loan had been drawn down.

At the same date, the Group also renegotiated its £35.0million secured and £5.0million unsecured bank borrowings held with HSBC Bank plc. The loans bear interest at market rates and are repayable within 1 year.

Repayments of other secured bank borrowings amounting to £3.7million were made in line with previously disclosed repayment terms.

11. Share capital and reserves

Ordinary share capital at 30 September 2007 amounted to £25.0million. There were no movements in the share capital of the Company during the current interim reporting period.

During the prior interim period, the Company issued 250million ordinary shares raising a gross amount of £250.0million, £246.1million after issue expenses. The share premium account was cancelled by Court order on 21 July 2006 and the balance of the account of £221.1million, was transferred to a new, distributable reserve which has been combined with retained reserves in these accounts.

12. Related party transactions

HSBC Specialist Fund Management Ltd ("HSFML") is the Company's Investment Adviser and the Operator of a limited partnership through which the Company holds its investments. The total Operator fees charged to the Income Statement was £1.9million of which the balance remained payable at period end (2006 £1.4million). The fee payable to the Operator for new portfolio investments in the period was £0.4million (2006 nil).

The following summarises the transactions between the Group and its associates and joint ventures in the period:

	Transactions		Balance	
	Six months ended 30 September 2007 £million	**Period from 11 January 2006 to 30 September 2006** £million	**30 September 2007** £million	**31 March 2007** £million
Loanstock investments	9.9	125.8	170.6	162.2
Loanstock repayments	(0.6)	(7.8)	–	–
Outstanding subscription obligations	–	–	(22.3)	(22.3)
Loanstock interest	6.4	4.8	7.1	4.7
Dividends received	0.1	0.2	–	–
Fees and other income	0.1	0.9	–	–

The Group had total borrowing facilities of £147.5million with HSBC Bank plc of which £102.2million had been drawn down at 30 September 2007. The Group also had a £22.3million letter of credit facility, of which the full amount was utilised at period end. Total fees and interest of £1.4million relating to these facilities has been charged to the Income Statement in the period.

The Group had total cash holdings with HSBC Bank plc at 30 September 2007 of £53.2million. Total interest income earned from cash holdings held with HSBC Bank plc for the period was £0.3million.

All of the above transactions were undertaken on an arm's length basis.

13. Guarantees and other commitments

As at 30 September 2007 the Group was committed to subscribing a further £22.3million to project investments and one of the subsidiaries had capital commitments of £0.4million contracted for but not provided for in these financial statements.

14. Events after balance sheet date

On 9 October 2007, the Company completed the acquisition for £30.2million of 50.0% interests in five education projects, and 50.0% interest in the Health and Safety Executive's Merseyside headquarters. The transaction was structured through a new joint venture with Kajima Partnerships Ltd, a subsidiary of Kajima Corporation.

Directors and Advisers

DIRECTORS
Graham Picken *(chairman)*
Henri Grisius
John Hallam

REGISTRAR
Capita IRG (CI) Limited
2nd Floor, No 1 Le Truchot
St Peter Port
Guernsey GY1 4AE

ADMINISTRATOR TO COMPANY, COMPANY SECRETARY AND REGISTERED OFFICE
Kleinwort Benson (Channel Islands) Fund Services Limited
Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 3BG

INVESTMENT ADVISER AND OPERATOR
HSBC Specialist Fund Management Limited
Level 21
8 Canada Square
London E14 5HQ

FINANCIAL PR
M: Communications
1 Ropemaker Street
9th Floor
London EC2Y 9HT

UK TRANSFER AGENT
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Helpline: 0870 162 3100

AUDITORS
KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey GY1 4AN

JOINT BROKERS
UBS Limited
1 Finsbury Avenue
London EC2M 2PP

Oriel Securities Ltd
125 Wood Street
London EC2V 7AN

Registered Office:
Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 3BG

www.hicl.hsbc.com

This report has been produced using recycled paper.