PROJECT EQUITY CARRIED INTEREST M. P. LIMITED

Registered Number 1391534

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

REPORT OF THE DIRECTOR FOR THE YEAR ENDED 31 DECEMBER 2008

Principal activities

The Company is a partner in Project Equity Carried Interest Partnership (the "Partnership"), a Scottish General Partnership formed to invest in the HSBC Infrastructure Fund L.P.I and L.P.II No change in the Company's activities is anticipated.

Results and dividends

The Company's results for the year under review are as detailed in the income statement shown in these accounts.

The Director does not recommend the payment of a dividend in respect of the year ended 31 December 2008 (2007: £nil).

Directors

The Directors who served during the year were as follows:

Name	Resigned
G I Craig	
M D Douglas-Mann	8 January 2008

The Articles of Association of the Company provide that in certain circumstances the Director is entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Director.

Financial instruments

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under the Companies Act 1985 are set out in Note 11 of the Notes to the Financial Statements.

Supplier payment policy

The Company does not currently subscribe to any code or standard on payment practice. It is the Company's policy, however, to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

It is Company practice to organise payment to its suppliers through a central accounts payable function operated by HSBC Bank plc. The payment performance of this unit is incorporated within the results of that company.

Disclosure of information to auditors

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 234ZA of the Companies Act 1985 and should be interpreted in accordance therewith.

REPORT OF THE DIRECTOR (continued)

Auditors

It is the intention of the Director to reappoint KPMG Audit plc as the Company's auditor for the forthcoming financial year.

Statement of Director's responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the Director and of the auditor in relation to the financial statements.

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the Company; the Company's Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board

P D Miller
Secretary

29 April 2009

Registered Office:
8 Canada Square
London E14 5HQ

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PROJECT EQUITY CARRIED INTEREST M.P. LIMITED

We have audited the financial statements of Project Equity Carried Interest MP Limited for the year ended 31 December 2008 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Director's Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 April 2009
8 Salisbury Square
London
EC4Y 8BB

INCOME STATEMENT
for the year ended 31 December 2008

	Notes	2008 £	2007 £
Distribution received from investment		-	40,918
Administrative expenses		(28)	-
(Loss)/profit before taxation		(28)	40,918
Income tax expense	5	(17)	(8,125)
(Loss)/profit for the year		(45)	32,793

The results of the Company are derived entirely from continuing activities.

BALANCE SHEET
as at 31 December 2008

	Notes	2008 £	2007 £
Assets			
Investments	6	**14**	14
Deferred tax assets	10	**-**	25
Total non-current assets		**14**	39
Trade and other receivables	7	**79,188**	79,188
Income tax receivable		**13**	-
Cash and cash equivalents	8	**24**	53
Total current assets		**79,225**	79,241
Total assets		**79,239**	79,280
Liabilities			
Trade and other payables	9	**(11,120)**	(10,744)
Income tax payable		**-**	(372)
Total current liabilities		**(11,120)**	(11,116)
Net current assets		**68,105**	68,125
Net assets		**68,119**	68,164
Equity			
Issued share capital	12	**5**	5
Retained earnings		**68,114**	68,159
Total equity		**68,119**	68,164

The financial statements were approved by the Board of Directors on 29 April 2009, and signed on its behalf by:

G I Craig
Director

STATEMENT OF CASH FLOWS
for the year ended 31 December 2008

	Notes	2008 £	2007 £
Operating activities			
(Loss)/profit before taxation		**(28)**	40,918
Increase in trade receivables		**-**	(40,918)
Increase/(decrease) in trade payables		**376**	10,744
Income tax paid		**(377)**	(10,744)
Cash flows from operating activities		**(29)**	-
Net increase in cash and cash equivalents		**(29)**	-
Cash and cash equivalents at 1 January		**53**	53
Cash and cash equivalents at 31 December	8	**24**	53

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2008

	Share Capital	Retained Earnings	Total Equity
	£	£	£
At 1 January 2008	5	68,159	68,164
Loss for the year	-	(45)	(45)
Balance at 31 December 2008	**5**	**68,114**	**68,119**
At 1 January 2007	5	35,366	35,371
Profit for the year	-	32,793	32,793
Balance at 31 December 2007	5	68,159	68,164

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

1. Accounting policies

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations as adopted by the EU ("Adopted IFRSs"). The principal accounting policies of the Company are set out below and have been consistently applied to all the years presented, unless otherwise stated.

(b) *Basis of preparation*

The financial statements are prepared on a historical cost basis and are presented in Sterling.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) *Investments in debt, equity securities and partnership interests*

Investments in subsidiary undertakings are carried at cost less diminution in value. The Company is an indirectly wholly owned subsidiary undertaking of HSBC Holdings plc. In accordance with the exemption available under Section 228(1)(a) of the Companies Act 1985, the Company has not prepared consolidated financial statements.

Investments in trust units, partnership capital and partnership loans held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Certain investments in partnership loans which do not have fixed repayment date and mandatory repayment terms are not considered different from investments in partnership capital. Such partnership loans, along with the relevant partnership capital, are considered as a single investment for the purposes of fair value computation.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2008

1. Accounting policies (continued)

(d) ***Income tax***

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

(e) ***Financial instruments***

The Company classifies its financial instruments in the following categories: loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. The Director determines the classification of its financial instruments at initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Company's loans and receivable comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings and inter group payables.

(f) ***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short – term highly liquid investments with original maturities of three months or less.

(g) ***Financial risk management***

Financial risk factors

The Company has no significant exposure to credit, market or liquidity risk due to the nature of the Company's business. Transactions are generally funded by way of capital and debt obtained from the parent or other group company.

The Board provides principles for overall risk management, and the businesses have consistent policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, and the use of financial instruments.

There have been no material changes in the Company's exposures to risks or process to manage their risks since the previous period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2008

2. Director's emolument

The Director's emoluments is borne by a group undertaking. It is not practicable to allocate the costs to Project Equity Carried Interest M.P. Limited for the services performed by the Director in relation to the Company.

3. Auditors' remuneration

The auditors' remuneration for the current financial year was £2,500 (2007: £2,500) and, for the current and previous financial year, has been borne by a group undertaking.

4. Employees

The Company had no employees during the current or previous financial year.

5a. Income tax expense

	2008 £	2007 £
Current tax:		
UK corporation tax on profits of the year	(8)	380
Adjustments in respect of previous period	-	(4,148)
	(8)	(3,768)
Deferred tax:		
Origination and reversal of temporary differences	-	11,895
Effect of changes in tax rates	-	(2)
Adjustment in respect of prior periods	25	-
	25	11,893
Total income tax expense in the income statement	17	8,125

5b. Reconciliation of effective tax rate

	2008 £	2007 £
Profit before taxation	(28)	40,918
Profit before taxation multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(8)	12,275
Effects of:		
Income not subject to tax	-	-
Changes in tax rates	-	(2)
Adjustments in respect of prior periods	25	(4,148)
Total income tax expense in the income statement	17	8,125

The UK corporate tax rate was reduced from 30% to 28% commencing 1 April 2008. Accordingly corporation tax on the loss before tax has been calculated at the hybrid corporation tax rate of 28.5%.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2008

5c. **Factors affecting future current and total tax charges**

There are no factors which are expected to have a significant effect on future current and total tax charges.

6. **Investments**

	2008	2007
	£	£
Partnership equity		
Balance at 1 January	**14**	14
Balance at 31 December	**14**	14

The investment held is a 0.45% interest in Project Equity Carried Interest Partnership, a Scottish General Partnership. Under the terms of the agreement constituting the Partnership, the Company has responsibility for the management and control of the operating and financial activities of the Partnership. The investment is therefore a subsidiary undertaking.

On 30 March 2006 HSBC Infrastructure Fund L.P.1 and L.P.II sold its investment portfolio. The sale triggered a profit share for the limited partners including Project Equity Carried Interest Partnership, of which £40,918 was distributed to the Company as general partner during the year ended 31 December 2007.

7. **Trade and other receivables**

	2008	2007
	£	£
Amounts due from group undertakings	**79,188**	79,188

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 11.

8. **Cash and cash equivalents**

	2008	2007
	£	£
Amounts deposited with group undertakings	**24**	53

9. **Trade and other payables**

	2008	2007
	£	£
Amounts due from group undertaking	**11,120**	10,744

10. **Deferred tax**

Deferred tax assets are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2008	2007	**2008**	2007	**2008**	2007
	£	£	**£**	£	**£**	£
Timing differences on investment profits	-	25	-	-	-	25
Net assets	-	25	-	-	-	25

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2008

10. Deferred tax (continued)

Movement in deferred tax during the year:

2008	1 January 2008 £	Recognised in income £	Recognised in equity £	31 December 2008 £
Timing differences on investment profits	25	25	-	-
Net assets	25	25	-	-

11. Financial instruments

11.1 Classification of financial instruments

The accounting policies for financial instruments have been applied to the line items below.

2008:

	Loans and Receivables £	Other financial liabilities £	TOTAL £
Financial Assets			
Trade and other receivables	79,188	-	79,188
Cash and cash equivalents	24	-	24
Income tax receivable	13	-	13
	79,225	-	79,225
Financial Liabilities			
Trade and other payables	-	(11,120)	(11,120)
	-	(11,120)	(11,120)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2008

11.1 Classification of financial instruments (continued)

2007:

	Loans and Receivables	Other financial liabilities	TOTAL
	£	£	£
Financial Assets			
Trade and other receivables	79,188	-	79,188
Cash and cash equivalents	53	-	53
	79,241	-	79,241
Financial Liabilities			
Trade and other payables	-	(10,744)	(10,744)
Income tax payable	-	(372)	(372)
	-	(11,116)	(11,116)

11.2 Market risk

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Company's profit and loss, or the value of its holdings of financial instruments. The objective is to minimise market risk through managing and controlling the risk to acceptable parameters, while optimising the return on risk.

The Company has minimal exposure to market risk.

Interest rate risks

The Company has no exposure to interest rate risks as it does not have any interest bearing borrowings.

Currency risks

The Company has no exposure to currency risks as it does not deal in foreign currencies.

11.3 Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company's only significant credit exposure is to fellow group companies. The maximum exposure to credit risk is represented by the carrying amount of trade receivables at the balance sheet date.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions. Credit risk is managed as only banks and financial institutions with a minimum rating of 'A' are accepted.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2008

11.4 Liquidity risk

The objective of liquidity management is to ensure that all commitments which are required to be funded can be met out of readily available and secure sources of funding.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company does this by monitoring its investment commitments and positions on an ongoing basis within limits set and approved by the HSBC Group.

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements:

2008	**Carry Amount**	**Contractual cash flows**	**0-12 months**
Non derivative financial liabilities			
Trade and other payables	**(11,120)**	**(11,120)**	**(11,120)**
	(11,120)	**(11,120)**	**(11,120)**

2007	**Carry Amount**	**Contractual cash flows**	**0-12 months**
Non derivative financial liabilities			
Trade and other payables	(10,744)	(10,744)	(10,744)
	(10,744)	(10,744)	(10,744)

11.5 Fair values versus carrying amounts

As at 31 December 2008 and 2007 the fair value of financial assets and liabilities (as disclosed in note 11.1) equal their respective carrying amount.

11.6 Capital management

Project Equity Carried Interest M.P. Limited is a member of the HSBC Specialist Investments Limited group of companies and capital management is performed at group level.

12. Share capital

	2008	2007
	£	**£**
Authorised		
100 Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
5 Ordinary shares of £1 each	**5**	5

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2008

13. Related party transactions

2008

Related Party	Amount of transaction £	Balance at 31 December 2008 £	Details of transactions
Parent	-	79,188	Provision of services
Fellow group undertaking	-	(11,120)	Provision of services

2007

Related Party	Amount of transaction £	Balance at 31 December 2007 £	Details of transactions
Parent	40,918	79,188	Provision of services
Fellow group undertaking	-	(10,744)	Provision of services

14. Parent undertakings

The Company's immediate parent company is HSBC Infrastructure Limited, which is incorporated in England and Wales.

The Company's ultimate controlling party as defined under International Accounting Standard 24 'Related Party Disclosures' is HSBC Holdings plc, which is incorporated in England and Wales.

The smallest and largest group in which the financial statements of the Company are consolidated is HSBC Holdings plc. The consolidated financial statements of HSBC Holdings plc are available to the public and may be obtained from HSBC Holdings plc, 8 Canada Square, London E14 5HQ.