

**CKI UK WATER LTD**

**Annual Report and Financial Statements  
For the year ended 31 December 2008**



**Incorporated in Great Britain with limited liability under the Companies Act 1985  
No. 5095089**

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Annual Report & Financial Statements Year Ended 31 December 2008

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## Directors

Annual Report & Financial Statements Year Ended 31 December 2008

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### **CKI UK Water Limited**

Registered in England and Wales with limited liability under the Companies Act 1985 No.5095089.

Registered Office	3 More London Riverside London SE1 2AQ
Directors	Edmond Tak Chuen Ip  Andrew John Hunter
Company Secretary	Norose Company Secretarial Services Limited

## Advisors

Annual Report & Financial Statements Year Ended 31 December 2008

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Auditors	Deloitte LLP 2 New Street Square London EC4A 3BZ
Solicitors	Norton Rose 3 More London Riverside London SE1 2AQ
Bankers	HSBC 17 Gerrard Street London, W1V 8HB

# Report of the Directors

Annual Report & Financial Statements Year Ended 31 December 2008

The directors are pleased to submit their annual report on the affairs of the Company, together with the financial statements and auditors' report for the year ended 31 December 2008.

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- \* select suitable accounting policies and then apply them consistently;
- \* make judgements and estimates that are reasonable and prudent;
- \* state whether applicable UK Accounting Standards have been followed; and
- \* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Financial Results and Dividends

	£'000
Profit after taxation	2,436
Interim dividend paid and proposed (2007: £nil)	-
Retained profit for the year	2,436
Retained profit at 1 January 2008	7,832
Retained profit at 31 December 2008	10,268

The Company made a group loan repayment in April 2008 to its parent company amounting to £2,444,800.

## Directors

Directors who served through the year are listed on page 2.

During the year the Group (consisting of CKI UK Water Limited, Cambridge Water Plc and Iceni Waters Limited), purchased and maintained Directors' and Officers' Liability Insurance as permitted by the Companies Act 1985.

## Business Review and Principal Activities

The principal activity of the Company is to act as the holding company for two 100% owned subsidiaries, Cambridge Water PLC and Iceni Waters Ltd. The financial results of the Company are disclosed on pages 7-11.

Income for the Company consists of dividends receivable and a management charge levied on Cambridge Water PLC.

## Business Environment and Strategy

Since the Company is a holding company, the business environment does not impact the results of the Company directly, however, the strategy of the Company is to maximise profits from the regulated business and the distribution of bottled natural mineral water, whilst exploring other revenue streams from non-regulated sources to provide future growth.

# Report of the Directors continued

Annual Report & Financial Statements Year Ended 31 December 2008

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As mentioned above, the future outlook for the Company is stable. The large capital investment barriers to entry inherent in the water industry prohibit new entrants, however, the fragmentation of the water industry in Scotland's commercial sector may be replicated in England in the future. Cambridge Water PLC is taking steps to ensure that it provides an efficient service to minimise the risk of price-led competition by new entrants in the commercial sector whilst continuing to explore other revenue streams outside of the regulated water sector.

## Principal Risks and Uncertainties

The Company is not subject to interest rate risk or foreign exchange risk nor does it consider itself subject to any competition, consolidation, legislation or regulatory risk.

The carrying amount of the investment in Cambridge Water PLC was compared with its recoverable amount for impairment review purposes. As a result of the review, no impairment of the investment was recorded for the year ended 31 December 2008 (2007: nil).

The carrying amount of the investment in Icen Waters Ltd was compared with its recoverable amount for impairment review purposes. As a result of the review, no impairment of the investment was recorded for the year ended 31 December 2008 (2007: nil) (see note 6).

## Key Performance Indicators

The Company does not monitor KPI's but management monitors distributable reserves to maximise the return to the parent company.

## Directors' Interests

No directors or their immediate families held equity in the Company during the year or other UK Group companies.

No director had an interest in any of the debenture stocks of Cambridge Water Plc. At no time has the Company operated any stock option schemes for directors or other staff.

## Financial Risk

The Company's activities do not expose it to financial risk. The Board approves all financial instruments used by the Company and reviews policies for managing the risks. The Company's financial assets and liabilities comprise borrowings in sterling, cash and debtors and creditors that arise directly from its operations. It is, and has been throughout the year and the previous year, the Company's policy that no trading in financial instruments shall be undertaken.

## Ultimate Holding Company

As at 31 December 2008, the Company's immediate parent company is CKI UK Water (BVI) Limited, incorporated in the British Virgin Islands. This company is a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited ("CKI"), a company incorporated in Bermuda and whose shares are listed on the Hong Kong Stock Exchange.

The ultimate holding company of CKI, and therefore ultimate controlling party of the Group, is Hutchison Whampoa Limited, a company incorporated in Hong Kong.

The smallest and largest groups of which CKI UK Water Limited is a member and for which group financial statements are drawn up are Cheung Kong Infrastructure Holdings Limited and Hutchison Whampoa Limited respectively.

## Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
2. the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

## Supplier Payment Policy

The Company's normal policy is to pay suppliers at the end of the month following that in which goods or services are invoiced. These terms are made known to suppliers when orders are placed.

## Report of the Directors continued

Annual Report & Financial Statements Year Ended 31 December 2008

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### Charitable Contributions

No charitable contributions were made in the year by the Company.

*By Order of the Board*

AUTHORISED SIGNATORY OF  
NOROSE COMPANY  
SECRETARIAL SERVICES LTD

Norose Company Secretarial Services Ltd  
*Company Secretary*

20 May 2009

## Auditors' Report

Annual Report & Financial Statements Year Ended 31 December 2008

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CKI UK WATER LIMITED

We have audited the financial statements of CKI UK Water Limited for the year ended 31 December 2008 which comprise the Profit and Loss account, the Balance Sheet and the related notes 1 to 15. 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 auditors' 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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 directors' remuneration and other transactions is not disclosed.

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

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Deloitte LLP

Chartered Accountants and Registered Auditors  
London, UK

21 May 09

## Profit and Loss Account

Annual Report & Financial Statements Year Ended 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Turnover</b>	2		
Management fee income		337	328
<b>Gross profit</b>		<u>337</u>	<u>328</u>
Administrative expenses		(346)	(334)
<b>Operating loss</b>	3	<u>(9)</u>	<u>(6)</u>
Income from shares in group undertakings		2,445	2,374
<b>Profit on ordinary activities before taxation</b>		<u>2,436</u>	<u>2,368</u>
Tax on profit on ordinary activities	5	-	-
<b>Profit on ordinary activities after taxation and retained profit for the year</b>		<u>2,436</u>	<u>2,368</u>

All turnover and operating profit is derived from continuing operations.

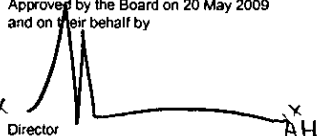
There were no recognised gains or losses in either year other than profit for that year and hence no statement of total recognised gains and losses has been presented.

## Balance Sheet

Annual Report & Financial Statements Year Ended 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Investments	6	34,659	34,659
		<u>34,659</u>	<u>34,659</u>
<b>Current assets</b>			
Debtors	7	2,170	1,313
Cash at bank and in hand		1	1
		<u>2,171</u>	<u>1,314</u>
Creditors: amounts falling due within one year	8	(891)	(876)
<b>Net current assets</b>		<u>1,280</u>	<u>438</u>
<b>Total assets less current liabilities</b>		<u>35,939</u>	<u>35,097</u>
Creditors: amounts falling due after more than one year	9	(8,510)	(10,104)
<b>Net assets</b>		<u>27,429</u>	<u>24,993</u>
<b>Capital and reserves</b>			
Called up share capital	10	17,161	17,161
Profit and loss account	12	10,268	7,832
<b>Shareholder's funds</b>	11	<u>27,429</u>	<u>24,993</u>

Approved by the Board on 20 May 2009  
and on their behalf by

X  X  
Director  
ANDREW HUNTER

## Notes to the Financial Statements

Annual Report & Financial Statements Year Ended 31 December 2008

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### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the previous year, is set out below:

The Company is a primarily a holding company and therefore has limited cash inflows and outflows other than dividends and management fees which are received from, and paid to, other group companies. The Company has received a letter of support from its parent company.

Although there is considerable economic uncertainty at the present time, after taking account of the above, the directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

#### a. Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law.

#### b. Basis of consolidation

The following accounts represent the Company's activities only and not those of the Group as the Company has applied s228A of the Companies Act exempting a parent undertaking from preparing and delivering consolidated accounts on the basis that the Company meets all the conditions of the aforementioned section of the Act and the parent company (Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda) prepares group accounts.

#### c. Investments

The Company holds 100% of the share capital of Cambridge Water Plc and Iceni Waters Ltd. The Company carries the value of the investments at cost less any provision for impairments.

#### d. Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### e. Turnover

Turnover represents a management charge receivable from Cambridge Water Plc.

#### f. Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit and loss account as they arise.

## Notes to the Financial Statements continued

Annual Report & Financial Statements Year Ended 31 December 2008

### 2 Turnover

Turnover represents a management fee receivable from Cambridge Water Plc.

### 3 Operating Loss

2008	2007
£'000	£'000

Operating loss is stated after charging:

Auditor's remuneration for the audit of the Company's annual accounts	(9)	(6)
Management Fee Expenses	(337)	(328)
	<u>(346)</u>	<u>(334)</u>

### 4 Directors' remuneration and employees

None of the directors received any emoluments in respect of services provided to the Company in the current or prior year.

None of the directors were members of the defined benefit pension scheme in the current or prior year.

The Company has no employees in the current or prior year.

### 5 Tax on profit on ordinary activities

The tax charge for the year was £nil (2007: £nil)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2008	2007
	£'000	£'000
Profit on ordinary activities before tax	2,436	2,368
Corporation tax at 28.5% (2007: 30%)	<u>694</u>	<u>710</u>
Group relief surrendered without compensation	-	2
Income not chargeable to tax	(694)	(712)
Current tax charge for the period	<u>-</u>	<u>-</u>

### 6 Fixed asset Investments

	2008	2007
	£'000	£'000
Subsidiary undertakings	34,659	34,659
	<u>34,659</u>	<u>34,659</u>

#### Principal group investments

	Country of incorporation or principal business address	Principal activity	Holding	%
Subsidiary undertakings:				
Cambridge Water Plc	UK	Licensed supplier of portable water	Ordinary	100
Icenl Waters Ltd	UK	Manufacture of bottled water	Ordinary	100

Subsidiary undertakings	2008	2007
Cost	£'000	£'000
At 1 January	55,461	52,211
Additions	-	3,250
At 31 December	<u>55,461</u>	<u>55,461</u>
Provisions for impairment		
At 1 January and 31 December	<u>20,802</u>	<u>20,802</u>
Net book value	<u>34,659</u>	<u>34,659</u>

## Notes to the Financial Statements continued

Annual Report & Financial Statements Year Ended 31 December 2008

### 7 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	320	313
Loans owed to group undertakings	1,850	1,000
	<u>2,170</u>	<u>1,313</u>

The amounts owed by group undertakings represents the management fee owed by Cambridge Water Plc whilst the loans owed to group undertakings is an interest free loan with the company's parent, CKI Holdings Limited with no repayment date.

### 8 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	36	36
Amounts owed to parent company	855	840
	<u>891</u>	<u>876</u>

### 9 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Amounts owed to parent company due after 5 years	8,510	10,104
	<u>8,510</u>	<u>10,104</u>

The perpetual parent company loan is interest free.

### 10 Share capital

	2008 £'000	2007 £'000
Authorised share capital:		
17,161,375 ordinary shares of £1 each	<u>17,161</u>	<u>17,161</u>
Called up share capital:		
Allotted and fully paid:		
17,161,375 ordinary shares of £1 each	<u>17,161</u>	<u>17,161</u>

### 11 Reconciliation of movements in shareholder's funds

	2008 £'000	2007 £'000
Profit after taxation for the financial year	2,436	2,368
Net increase in shareholder's funds	<u>2,436</u>	<u>2,368</u>
Opening shareholder's funds	24,993	22,625
Closing shareholder's funds	<u>27,429</u>	<u>24,993</u>

### 12 Reserves

	Profit and loss £'000
At 31 December 2007	7,832
Retained profit for the year	2,436
Profit and loss reserve	<u>10,268</u>

### 13 Related party transactions

As a wholly owned subsidiary of Hutchison Whampoa Limited, the Company has taken advantage of the exemption, under FRS 8, not to disclose transactions with other group companies.

## Notes to the Financial Statements continued

Annual Report & Financial Statements Year Ended 31 December 2008

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### 14 Ultimate holding company

As at 31 December 2008, the Company's immediate parent company is CKI UK Water (BVI) Limited, incorporated in the British Virgin Islands. This company is a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited ("CKI"), a company incorporated in Bermuda and whose shares are listed on the Hong Kong Stock Exchange.

The ultimate holding company of CKI, and therefore ultimate controlling party of the Group, is Hutchison Whampoa Limited, a company incorporated in Hong Kong. Consolidated financial statements are available from 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

The smallest and largest groups of which CKI UK Water Limited is a member and for which group financial statements are drawn up are Cheung Kong Infrastructure Holdings Limited and Hutchison Whampoa Limited respectively.

### 15 Cash Flow Statement

Under the provisions of Financial Reporting Standard No. 1 (Revised), the Company has not prepared a cash flow statement because its ultimate parent undertaking, Hutchison Whampoa Limited, which is registered in Hong Kong, has prepared consolidated financial statements which are publicly available and include the results of the Company and contain a cash flow statement.