


CKI UK WATER LIMITED

Report and Financial Statements

31 December 2010

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**CKI UK WATER LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2010**

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## **CKI UK WATER LIMITED**

### **REPORT AND FINANCIAL STATEMENTS 2010**

#### **OFFICERS AND PROFESSIONAL ADVISERS**

##### **CKI UK Water Limited**

Incorporated in Great Britain with limited liability under the Companies Act 2006 No 5095089

<b>Registered Office</b>	3 More London Riverside London SE1 2AQ
<b>Directors</b>	Edmond Tak Chuen Ip Andrew John Hunter
<b>Company Secretary</b>	Norose Company Secretarial Services Limited
<b>Auditor</b>	Deloitte LLP Chartered Accountants Cambridge United Kingdom
<b>Solicitors</b>	Norton Rose 3 More London Riverside London SE1 2AQ
<b>Bankers</b>	HSBC 17 Gerrard Street London W1V 8HB

# CKI UK WATER LIMITED

## DIRECTORS' REPORT

The directors are pleased to submit their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2010

### DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### FINANCIAL RESULTS AND DIVIDENDS

	£'000
Profit after taxation	2,688
Retained profit for the year	2,688
Retained profit at 1 January 2010	14,105
Retained profit at 31 December 2010	16,793

The company made a group loan repayment in November 2010 to its parent company amounting to £1.35m.

The directors do not recommend the payment of a dividend (2009: £nil).

### DIRECTORS

The directors who served throughout the year are listed on page 1.

During the year the group (consisting of CKI UK Water Limited, Cambridge Water PLC and Icenit Waters Limited), purchased and maintained Directors' and Officers' Liability Insurance as permitted by the Companies Act 2006.

### 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 Icenit Waters Limited. The financial results of the company are disclosed on pages 7-13.

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

# **CKI UK WATER LIMITED**

## **DIRECTORS' REPORT**

### **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

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 2010 (2009 - £nil) (see note 6)

The carrying amount of the investment in Icení Waters Limited 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 2010 (2009 - £nil) (see note 6)

### **KEY PERFORMANCE INDICATORS**

The company does not monitor KPI's due to the nature of the Company, but management monitors distributable reserves to maximise the return to the parent company. Distributable reserves at 31 December 2010 were £16.8m (2009 £14.1m)

### **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

### **GOING CONCERN**

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. Dividend payments are only made where there are sufficient distributable reserves. The declaration of dividends is under management's control and therefore dividends are not paid out if there is not sufficient cash to allow the company to continue trading on normal terms. The company has also received a letter from its parent company, confirming the intention of the parent company to support CKI UK Water Limited if necessary

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

# **CKI UK WATER LIMITED**

## **DIRECTORS' REPORT**

### **ULTIMATE PARENT COMPANY**

At 31 December 2010, 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 Stock Exchange of Hong Kong Limited.

The ultimate parent company of CKI, and therefore the 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 CKI and Hutchison Whampoa Limited respectively.

### **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.

### **AUDITOR**


In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information which the company's auditor is unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Approved by the Board of Directors  
and signed on behalf of the Board

 C WESTON  
Authorised signatory of  
Norose Company Secretarial Services Limited  
Company Secretary

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CKI UK WATER LIMITED**

We have audited the group financial statements of CKI UK Water Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

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

### **Opinion on other matter prescribed by the Companies Act 2006**

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CKI UK WATER  
LIMITED (continued)**

**Matters on which we are required to report by exception**

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

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



**Richard Knights (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
Cambridge, United Kingdom

29 March 2011



## CKI UK WATER LIMITED

### PROFIT AND LOSS ACCOUNT Year ended 31 December 2010

	Note	2010 £'000	2009 £'000
<b>TURNOVER</b>	2		
Management fee income		361	351
<b>GROSS PROFIT</b>		361	351
Administrative expenses		(367)	(357)
<b>OPERATING LOSS</b>	3	(6)	(6)
Income from shares in group undertakings		2,694	3,843
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,688	3,837
Tax on profit on ordinary activities	5	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR</b>	11	2,688	3,837

All results are from continuing operations

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

# CKI UK WATER LIMITED

## BALANCE SHEET 31 December 2010

	Note	2010 £'000	2009 £'000
<b>FIXED ASSETS</b>			
Investments	6	34,659	34,659
<b>CURRENT ASSETS</b>			
Debtors	7,	5,833	4,481
Cash at bank and in hand		1	1
		5,834	4,482
<b>CREDITORS: amounts falling due within one year</b>	8	(922)	(908)
<b>NET CURRENT ASSETS</b>		4,912	3,574
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		39,571	38,233
<b>CREDITORS: amounts falling due after more than one year</b>	9	(5,617)	(6,967)
<b>NET ASSETS</b>		33,954	31,266
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	17,161	17,161
Profit and loss account	11	16,793	14,105
<b>SHAREHOLDERS' FUNDS</b>	12	33,954	31,266

The financial statements of CKI UK Water Limited, registered number 5095089, were approved by the Board of Directors and authorised for issue on 29 March 2011

Signed on behalf of the Board of Directors

Director x

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ANDREW HUNTER

# CKI UK WATER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

### 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

#### **Going concern**

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. Dividend payments are only made where there are sufficient distributable reserves. The declaration of dividends is under management's control and therefore dividends are not paid out if there is not sufficient cash to allow the company to continue trading on normal terms. The company has also received a letter from its parent company, confirming the intention of the parent company to support CKI UK Water Limited if necessary.

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.

#### **Basis of accounting**

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

#### **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.

#### **Basis of consolidation**

The following accounts represent the company's activities only and not those of the group as the company has applied s401 of the Companies Act 2006 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, which are publicly available.

#### **Investments**

The company holds 100% of the share capital of Cambridge Water PLC and Icen Waters Limited. The company carries the value of the investments at cost less any provision for impairments.

#### **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 substantively 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.

## CKI UK WATER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

#### 1. ACCOUNTING POLICIES (continued)

##### Turnover

Turnover represents a management charge receivable from Cambridge Water PLC and is recognised as it is earned

##### 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

#### 2. TURNOVER

Turnover is wholly derived in the United Kingdom

#### 3. OPERATING LOSS

	2010 £'000	2009 £'000
<b>Operating loss is stated after charging:</b>		
Auditor's remuneration for the audit of the company's annual accounts	6	6
Management fee expenses	361	351

#### 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

# CKI UK WATER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
<b>Current taxation</b>		
UK corporation tax at 28% (2009 - 28%)	-	-

#### Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	2,688	3,837
Tax on profit on ordinary activities at 28% (2009 - 28%)	753	1,074
Effects of Income not chargeable to tax	(753)	(1,074)
Current tax charge for the year	-	-

In June 2010 the UK Government announced that it would introduce legislation that would reduce the corporation tax rate to 27% with effect from 1 April 2011 This legislation was substantively enacted on 27 July 2010 The effective tax rate for the period to 31 December 2011 is expected to reduce accordingly

### 6. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £'000
<b>Cost</b>	
At 1 January 2010 and 31 December 2010	55,461
<b>Provisions for impairment</b>	
At 1 January 2010 and 31 December 2010	20,802
<b>Net book value</b>	
At 31 December 2010 and 31 December 2010	34,659

#### Principal group investments

Subsidiary undertakings	Country of incorporation or principal business address	Principal activity	Holding	%
Cambridge Water PLC	UK	Licensed supplier of potable water	Ordinary	100
Icen Waters Limited	UK	Manufacture of bottled water	Ordinary	100

# CKI UK WATER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

### 7. DEBTORS

	2010 £'000	2009 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	339	331
Loans owed by group undertakings	5,494	4,150
	<u>5,833</u>	<u>4,481</u>

The amounts owed by group undertakings represents the management fee owed by Cambridge Water PLC whilst the loans owed by group undertakings is an interest free loan with the company's 100% subsidiary Icen Waters Limited, with no repayment date

### 8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Trade creditors	56	65
Amounts owed to parent company	866	843
	<u>922</u>	<u>908</u>

### 9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000
Amounts owed to parent company due after more than 1 year but less than 5 years	<u>5,617</u>	<u>6,967</u>

The parent company loan is interest free and unsecured

### 10 CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Called up, allotted and fully paid		
17,161,375 ordinary shares of £1 each	<u>17,161</u>	<u>17,161</u>

## CKI UK WATER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

#### 11. RESERVES

	Profit and loss account £'000
At 1 January 2010	14,105
Retained profit for the year	2,688
At 31 December 2010	<u>16,793</u>

#### 12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
Profit after taxation for the financial year	<u>2,688</u>	<u>3,837</u>
Net increase in shareholders' funds	2,688	3,837
Opening shareholders' funds	<u>31,266</u>	<u>27,429</u>
Closing shareholders' funds	<u>33,954</u>	<u>31,266</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

#### 14. ULTIMATE PARENT COMPANY

At 31 December 2010, 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 parent company of CKI, and therefore the ultimate controlling party of the group, is Hutchison Whampoa Limited, a company incorporated in Hong Kong. Consolidated financial statements are available from 22<sup>nd</sup> 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.