CKI UK WATER LTD

Financial Statements
For the Period Ended 31 December 2004

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

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Directors and Advisors

CKI UK Water Limited

Registered in England and Wales with limited liability under the Companies Act 1985 No.5095089 on 05 April 2004.

Registered office	Kempson House
Directors	Edmund Tak Chuen IP
	Eric Bing Sing KWAN
Company Secretary	Norose Company Secretarial Services Limited
Auditors	Deloitte & Touche LLP Hill House, 1 Little New Street, London, EC4A 3TR
Solicitors	Norton Rose Kempson House, Camomile Street, London, EC3A 7AN

Report of the Directors

Annual Report & Financial Statements Period Ended 31 December 2004

The directors are pleased to submit their annual report on the affairs of the Group, together with the financial statements and auditors' report for the period to 31 December 2004.

Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to 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 the Group, the system of internal controls, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Activities

The principal activity of the Group is the supply of water to a population of 295,000 in an area of Cambridgeshire spanning 1,173 square kilometers, through its subsidiary, Cambridge Water PLC.

Financial Results and Dividends

	£'000
Profit for the period after taxation	881
Interim dividend paid and proposed	-
Retained profit for the period	881
Retained profit at 28 April 2004	-
Retained profit at 31 December 2004	881

The Board has decided not to propose a final dividend in respect of the period ended 31 December 2004

Directors

The directors listed on page 2 held office throughout the year.

No director had a material interest in any contract entered into by the Company during the period. No director or member of any director's immediate family has, or was granted, any right to subscribe to any stock in the Company.

During the period the Company purchased and maintained Directors' and Officers' Liability Insurance as permitted by the Companies Act 1985.

Following incorporation on 05 April 2004, the Company acquired, through a combination of cash and loans, Cambridge Water PLC.
The Company has provided management services to its subsidiary Cambridge Water, a regulated licensed water undertaker, since acquisition on 28 April 2004.

Ultimate Holding Company

As at 31 December 2004, the Company's immediate parent company is CKI UK Water (BVI) Limited. 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 incorporatec 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

The directors will place a resolution before the Annual General Meeting to re-appoint Deloitte & Touche LLP as auditors for 2005.

Supplier Payment Policy

The Group'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.

Trade creditors of the trading subsidiary, Cambridge Water PLC, at 31 December 2004 were equivalent to 35 (2003: 33) days' purchases, based on the average daily amount invoiced by suppliers during the period.

Donations

During the period the Group donated £4,212 to charitable causes and community projects. No subscriptions or donations were made to political parties.

By order of the Board

AUTHORISED SIGNATORY OF
NOROSE COMPANY
SECRETARIAL SERVICES LTD

Company Secretary

28th October 2005

Independent Auditors' report to the members of CKI UK Water

We have audited the financial statements of CKI UK Water Limited for the period from 5 April 2004 to 31 December 2004 which comprise the consolidated profit and loss account, the balance sheets and the related notes numbered 1 to 28. 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

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 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 of the state of the Company's and Group's affairs as at 31 December 2004 and of the Group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

5 November 2005

Consolidated Profit and Loss Account

Annual Report & Financial Statements For The Nine Months from incorporation to 31 December 2004

	Note	Group 2004 £'000
Turnover	4	10,445
Cost of sales		(5,090)
Gross profit		5,355
Administrative expenses		(2,853)
Other operating income	5	454
Operating profit		2,956
Profit on sale of tangible fixed assets		13
Profit on ordinary activities before finance charges		2,969
Interest receivable and similar income		61
Interest payable and similar charges	6	(1,320)
Profit on ordinary activities before taxation	7	1,710
Tax on profit on ordinary activities	10	(829)
Profit on ordinary activities after taxation and retained profit for the period		881

All turnover and operating profit is derived from operations acquired in the year.

There were no recognised gains and losses in the period, other than the profit for the period.

Consolidated and Company Balance Sheets

As at 31 December 2004

	Note	Group 2004 £'000	Company 2004 £'000
Fixed assets			
Goodwill	3	13,564	-
Tangible fixed assets before contributions	11	56,632	-
Less capital contributions	13	(1,234)	-
		55,398	-
Investments	12	-	52,211
		68,962	52,211
Current assets			
Stocks	14	63	-
Debtors	15	1,712	2,504
Prepayments and accrued income		795	-
Investments	16	1	-
Cash at bank and in hand		1,545	-
		4,116	2,504
Creditors: amounts falling due within one year	17	(11,824)	(6,952)
Net current liabilities		(7,708)	(4,448)
Total assets less current liabilities		61,254	47,763
Creditors: amounts falling due after more than one year	18	(33,820)	(6,479)
Provisions for liabilities and charges	21	(9,392)	-
Net assets		18,042	41,284
Capital and reserves			
Called up share capital	22	17,161	17,161
Profit and loss account	25	881	24,123
Equity shareholder's funds	24	18,042	41,284

Approved by the Board on 28 October 2005
and on their behalf by

Directors
ERIC KWAN
EDMOND IP

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period is set out below.

a. Basis of accounting

The Group 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 Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking, Cambridge Water PLC, for the period ended 31 December 2004. Cambridge Water PLC is included in the Group's financial statements from 28 April 2004, the date of acquisition, using the acquisiton method. Under the acquisition method, the identifiable assets and liabilities of subsidiaries acquired are included in the Group's financial statements at their fair values at the date of acquisition. Any excess of the fair value of the purchase consideration over the aggregate fair values constitutes goodwill.

c. Intangible assets

Goodwill, arising on the acquisition of Cambridge Water PLC, is capitalised and written off on a straight line basis over its useful economic life of 20 years. Provision is made for any impairment.

d. Tangible fixed assets

Tangible fixed assets comprise:

i) Infrastructure assets

Infrastructure assets comprise a network of systems including mains and communication pipes. The Company has adopted the requirements of Financial Reporting Standard 15 'Tangible Fixed Assets' under which all expenditure on infrastructure assets is capitalised at cost, while the planned expenditure incurred in maintaining the operating capability of the network in accordance with defined service standards is expensed as depreciation.

ii) Other assets

Other assets are included at cost or valuation less accumulated depreciation and any provision for impairment. Additions are included at cost
Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are as follows:

Towers, office and depot buildings		60	Years
Pumping stations, reservoirs and houses	Up to	80	Years
Meters, mobile plant and office equipment	Up to	20	Years

e. Stocks

Stocks have been valued at the lower of cost and net realisable value. No value has been placed on the water in reservoirs and mains in accordance with established practice in the water industry.

f. Leased assets

Assets leased under finance leases are capitalised when appropriate in accordance with SSAP 21. The capital payments outstanding on all assets held under the leases are shown within creditors. Depreciation on these assets is in accordance with the policy stated in d. above and charged to the profit and loss account. Interest on finance leases is charged directly to the profit and loss account so as to produce a constant periodic rate of interest on the outstanding liability. Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

g. Contributions for mains, infrastructure, communication pipes and meters

Contributions received for mains, infrastructure, communication pipes and meters are treated as capital contributions and shown as a deduction from fixed assets on the balance sheet. This policy is not in accordance with the provisions of the Companies Act, but has been adopted in order to show a true and fair view, as certain assets have no finite economic life and hence no basis exists on which to recognise such contributions as deferred income. Contributions are amortised over the same period as the related assets where those assets have a finite life.

h. Defined benefit pension scheme

The amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the estimated regular cost of providing benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost represents a substantially level percentage of current and future payroll with variations from the regular cost being charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working lives of scheme members. The assets of the scheme are held separately from those of the Group in separate trustee administered funds. Differences between the amounts charged to the profit and loss account and amounts funded are shown as either accruals or prepayments in the balance sheet.

i. 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 Group'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.

j. Turnover

Turnover represents the amounts receivable, excluding value added tax, in respect of goods sold and services provided to customers during the period.

2 Acquisition of subsidiary undertaking

On 28 April 2004 the company acquired 100% of the share capital of Cambridge Water PLC. The fair value of the total consideration was £52,211,000.

The following table sets out the book values of the identifiable assets and liabilities acquired and the provisional fair values assigned to them by the Group:

	Book value £'000	Revaluation £'000	**Fair value to Group £'000**
Fixed assets	44,188	9,691	**53,879**
Current assets			
Stocks	70	-	**70**
Debtors	6,549	-	**6,549**
Prepayments and accrued income	1	-	**1**
Investments	1,200	-	**1,200**
Cash at bank and in hand	1,123	-	**1,123**
	8,943	-	**8,943**
Total assets	53,131	9,691	**62,822**
Creditors: Amounts falling due within one year	(12,359)	-	**(12,359)**
Creditors: Amounts falling due after more than one year	(3,124)	(130)	**(3,254)**
Provisions for liabilities and charges	(8,844)	(186)	**(9,030)**
Total liabilities	(24,327)	(316)	**(24,643)**
Net assets	28,804	9,375	**38,179**
Goodwill			14,032
			52,211
Satisfied by			
Cash consideration			**52,211**

Summarised profit and loss accounts of Cambridge Water PLC for the year ended 31 December 2003 and the period ended 28 April 2004 are set out below:

	Year to 31 December 2003 £'000	Period to 28 April 2004 £'000
Turnover	14,736	4,832
Cost of sales	(7,347)	(2,368)
Gross profit	7,389	2,464
Administrative expenses	(4,012)	(1,318)
Other operating income	717	217
Operating profit	4,094	1,363
Profit on sale of tangible fixed assets	7,681	-
Profit on ordinary activities before finance charges	11,775	1,363
Interest receivable and similar income	21	22
Interest payable and similar charges	(957)	(345)
Profit on ordinary activities before taxation	10,839	1,040
Tax on profit on ordinary activities	(1,035)	(311)
Profit on ordinary activities after taxation	9,804	729

There were no recognised gains and losses in either period, other than the profit for the period.

3 Goodwill

	£'000
Cost	
At incorporation	-
Additions	14,032
At 31 December 2004	14,032
Amortisation	
At incorporation	-
Charge for the year	468
At 31 December 2004	468
Net book value	
At incorporation	-
At 31 December 2004	13,564

4 Turnover and segmental analysis

Turnover represents income from the supply of water and other associated rechargeable work within the UK.

5 Other operating income

	2004 £'000
Rents	135
Management fee income	7
Other	312
	454

6 Interest payable

	2004 £'000
Finance leases	189
Interest on Group company loans	1,028
Interest on bank loans and overdraft	9
Debenture stock	94
	1,320

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting):

		2004 £'000
Depreciation - owned assets		1,659
- leased assets		41
		1,700
Amortisation of goodwill		468
Amortised meter contributions		(2)
Auditors' remuneration in respect of statutory audit services	- Group	38
	- Company	7
Auditors' remuneration in respect of non audit services	- Group	19
	- Company	-
Operating lease rentals - vehicles		26

8 Staff costs

	2004 £'000
Wages and salaries, including executive director	2,076
Social security costs	165
Pension contributions	217
Total (including costs allocated to capital)	2,458

Staff costs capitalised in the period amounted to £335,000

The average monthly number of employees, including executive directors, was:	number
Resources dept.	23
Commercial dept.	23
Engineering dept.	72
	118

9 Directors' remuneration

None of the directors received any emoluments in respect of services provided to the Company or Group.

None of the directors were members of the defined benefit pension scheme.

10 Tax on profit on ordinary activities

The tax charge comprises:	**2004** **£'000**
Current Tax	
UK Corporation Tax at 30%	414
Total current tax	414
Deferred Tax (note 19)	
Origination and reversal of timing differences	415
	415
Total tax on profit on ordinary activities	829

Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax	1,710
Corporation tax at 30%	513
Effects of:	
Expenses not deductible for tax purposes	1
Capital allowances in excess of depreciation	(462)
Other timing differences	362
Current tax charge for the period	414

The Group earns its profits solely in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

11 Group tangible fixed assets before contributions

	Freehold Land, Offices, Depots & Houses	Sources, Reservoirs, Buildings & Works	Mains	Communication Pipes	Meters, Mobile Plant & Office Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At incorporation	-	-	-	-	-	-
Acquisitions	2,411	12,519	28,413	1,873	8,663	53,879
Additions	2,074	446	1,377	675	377	4,949
Disposals	(495)	-	-	-	(8)	(503)
At 31 December 2004	3,990	12,965	29,790	2,548	9,032	58,325
Depreciation						
At incorporation	-	-	-	-	-	-
Charge for the year	19	368	612	59	642	1,700
Disposals	-	-	-	-	(7)	(7)
At 31 December 2004	19	368	612	59	635	1,693
Net book value						
Owned	3,971	10,761	14,000	2,356	8,386	39,474
Leased	-	1,836	15,178	133	11	17,158
At 31 December 2004	3,971	12,597	29,178	2,489	8,397	56,632
Owned	-	-	-	-	-	-
Leased	-	-	-	-	-	-
At incorporation	-	-	-	-	-	-

Assets financed by leasing amounting to £17,967,000 less accumulated depreciation of £808,000. Depreciation charged to the profit and loss account for the period in respect of leased assets amounted to £41,000.

The Company held no tangible fixed assets as at the balance sheet date.

12 Fixed asset investments

	Company
	2004
	£'000
Subsidiary undertaking	52,211

The Company acquired 100% of the share capital Cambridge Water PLC on 28 April 2004. See note 2 for further information.

13 Capital contributions

	Mains	Infrastructure	Communication Pipes	Meters	Total
	£'000	£'000	£'000	£'000	£'000
At incorporation	-	-	-	-	-
Received in the period	368	295	549	24	1,236
Less amortisation	-	-	-	(2)	(2)
As at 31 December 2004	368	295	549	22	1,234

14 Stocks

	Group	Company
	2004	**2004**
	£'000	**£'000**
Raw materials and consumables	63	-

In the opinion of the directors the replacement cost of stock is not materially different to the carrying value.

15 Debtors

	Group	Company
	2004	**2004**
Amounts falling due within one year:	**£'000**	**£'000**
Trade debtors	1,335	-
Amounts receivable from insurance claim	220	-
Amounts owed by Group undertakings	-	2,504
Other debtors	157	-
	1,712	2,504

16 Investments

This represents the Group's investment of £1,596 in WRc PLC.

17 Creditors: amounts falling due within one year

	Group	Company
	2004	**2004**
	£'000	**£'000**
Bank loans and overdrafts	5,345	5,345
Obligations under finance lease contracts	933	-
Trade creditors	2,390	-
Amounts due to Group undertakings	1,607	1,607
Other taxes and social security	86	-
Deposits and deferred income	1,463	-
	11,824	6,952

The £5,345,000 bank loan was repaid in April 2005. In the same month, a loan of £2,841,000 was taken out, repayable in April 2006.

18 Creditors: amounts falling due after more than one year

	Group	Company
	2004	**2004**
	£'000	**£'000**
Perpetual debenture stock	192	-
Obligations under finance lease contracts	2,649	-
Bank loans	30,979	6,479
	33,820	6,479
Made up as follows :		
Due between 1 and 2 years	847	-
Due between 2 and 5 years	1,313	-
Due after 5 years	31,468	6,479
Perpetual	192	-
	33,820	6,479
Including finance leases:		
Due between 1 and 2 years	847	-
Due between 2 and 5 years	1,313	-
Due after 5 years	489	-
	2,649	-
Including debenture stocks, Group loan and revolving credit facility (RCF):		
Due after 5 years		
4% Consolidated Perpetual Debenture Stock (half yearly interest due on 1 January and 1 July)	192	-
Interest free Group company loan	6,479	6,479
Revolving credit facility expiring December 2010	24,500	-
	31,171	6,479

19 Financial instruments

The Company's financial liabilities comprise borrowings in sterling, cash and liquid resources and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's 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. The main financial risk faced by the Company is interest rate risk. No financial liabilities are subject to exchange rate risk. The Board approves all financial instruments used by the company and reviews policies for managing the risks.

As permitted by FRS13, short-term debtors and creditors have been omitted from disclosure below. There are no material currency risks.

Of the £40.1m borrowings at 31 December 2004, £2.1m of finance leases, the £nil bank overdraft and the £24.5m Revolving Credit Facility (RCF) were at variable interest rates. This represents 66% of borrowings.

All of the £24.5m RCF was covered by a hedge and so a one pecentage point rise in interest rates in the period would have affected profits before tax by 0.5%. The hedge and RCF are with Barclays Bank and the hedge is profiled to ensure approximately 95% coverage over the life of the RCF.

The RCF was taken out on the 30 December 2004. The fair value and book value of the RCF are both £24.5m.

There were no unrecognised gains or losses arising from the hedge at the balance sheet date.

The maturity of the Group's borrowings is as follows:	**2004**
	£'000
Within 1 year	6,278
Between 1 and 2 years	847
Between 2 and 5 years	1,313
Over 5 years	31,468
Perpetual	192
	40,098

Financial assets held by the Group relate to cash held of £1,545,000

The weighted average interest rate of the fixed rate liabilities was 8.73%. The weighted average period for which the interest rates are fixed, excluding the perpetual debentures, is 6.15 years. The benchmark rate for determining variable interest payments is LIBOR. The fair value of the £1.7m fixed interest liabilities, using a discount rate of 5.3%, is £2.1m.

20 Financial commitments

	Group	**Company**
Annual commitments under non-cancellable operating leases for vehicles are as follows:	**2004**	**2004**
	£'000	**£'000**
Expiring in less than one year	-	-
Expiring between two and five years	38	-
	38	-

Future capital expenditure:
There is outstanding in respect of capital works not completed, and therefore not provided in the balance sheet, an estimated sum of £1.3m.

21 Provisions for liabilities and charges

	Deferred taxation	**Pension Contributions**	**Directors' pensions**	**Claims and other**	**Total**
At incorporation	-	-	-	-	-
Acquisitions	7,664	1,000	51	315	9,030
Profit and loss charge	415	-	-	-	415
Utilised in the year	-	(33)	(20)	-	(53)
As at 31 December 2004	8,079	967	31	315	9,392

Deferred taxation is provided as follows:	
	2004
	£'000
Accelerated capital allowances	8,025
Short-term timing differences	(411)
Holdover relief	465
	8,079

22 Share capital

	2004
	£'000
Authorised share capital:	
17,161,375 shares of £1 each	17,161
Called up share capital:	
Allotted and fully paid:	
17,161,375 shares of £1 each	17,161

23 Pension fund

The Company operates a funded defined benefit pension scheme covered under the Water Companies Pension Scheme of which the Company is a member.

The pension charge for the period, as reported under SSAP 24, was £217,000. This represents the Company's contributions of 16.5% which were charged to the profit and loss account so as to spread the cost of pensions over the service lives of the employees who are members of the scheme.

The most recent formal actuarial valuation of the scheme was carried out at 1 April 2002 on a projected unit basis. This actuarial valuation shows that the market value of the assets was £24.1m, the funding level was 142% and there was a surplus of assets over accrued liabilities of £3.0m at 1 April 2002.

The major assumptions for the actuarial valuation were as follows:	**1 April 2002**
RPI Inflation	2.8%
Discount rate	5.4%
Rate of investment return	
- pre retirement (equities)	7.2%
- post retirement (gilts)	5.2%
Pension increases in payment (RPI)	2.8%
General salary increases	4.8%

Additional disclosures in respect of FRS17

Under the transitional arrangements for the implementation of FRS17, additional disclosures are necessary to provide information that would be required if FRS17 had been implemented.

The actuarial valuation carried out at 1 April 2002 has been updated to 31 December 2004 by a qualified independent actuary.

The major assumptions used by the actuary were:	**31 December 2004**
RPI Inflation	2.9%
Discount rate	5.3%
Pension increases in payment (RPI)	2.9%
General salary increases	4.9%

The assets in the scheme and the expected rates of return were:

	Expected return	**£m 2004**
Equities	7.5%	14.4
Bonds	4.6%	9.9
Corporate Bonds	-	-
Property	-	-
Cash	-	-
Total market value of assets		24.3
Present value of scheme liabilities		(26.0)
Gross pension liability		(1.7)
Related deferred tax asset at 30%		0.5
Net pension liability		(1.2)

	£m 2004
Analysis of the amount that would have been charged to operating profit:	
Current service cost	0.4
Total operating charge	0.4
Analysis of the amount that would have been credited / (charged) to other finance income:	
Expected return on pension scheme assets	1.0
Interest on pension scheme liabilities	(0.9)
Net return - credit	0.1
Analysis of amount that would have been included in the statement of total recognised gains and losses (STRGL):	
Actual return less expected return on pension scheme assets	(0.6)
Experience gains / (losses) arising on pension scheme liabilities	0.5
Changes in assumptions underlying the present value of scheme liabilities	(0.6)
Actuarial gain / (loss) recognised in STRGL	(0.7)

23 Pension fund (continued)

	2004 £m
Movement in scheme deficit during the year:	
Deficit in scheme at beginning of the year	(1.0)
Current service cost	(0.4)
Aggregate contributions	0.3
Other finance income	0.1
Actuarial gain / (loss) recognised in STRGL	(0.7)
Deficit in scheme at end of year	(1.7)
History of experience gains and losses:	
Difference between expected and actual return on scheme assets	
Amount - gain	(0.6)
Percentage of scheme assets	3%
Experience gains and losses on scheme liabilities	
Amount - loss	0.5
Percentage of the present value of the scheme liabilities	2%
Total amount recognised in STRGL	
Amount - gain / (loss)	(0.7)
Percentage of the present value of the scheme liabilities	2%

The analysis of reserves that would have arisen if FRS17 had been fully implemented is as follows:

	2004 £m
Profit and loss reserve excluding pension liability	1.8
Pension liability net of related deferred tax	(1.2)
Profit and loss reserve including pension liability	0.6

The net assets that would have arisen if FRS17 had been fully implemented are as follows:

	2004 £m
Net assets excluding pension liability	19.0
Pension liability, net of related deferred tax	(1.2)
Net assets including pension liability	17.8

24 Reconciliation of movements in equity shareholder's funds

	Group 2004 £'000	Company 2004 £'000
Profit after taxation for the financial year	881	24,123
Net increase in equity shareholder's funds	881	24,123
Opening equity shareholder's funds	17,161	17,161
Closing equity shareholder's funds	18,042	41,284

25 Reserves

	Profit and loss £'000	Total £'000
As incorporation	-	-
Retained profit for the year	881	881
As at 31 December 2004	881	881

26 Related party transactions

As a wholly owned subsidiary of Hutchison Whampoa Limited, the Company has taken advantage of the exemption, under FRS8, not to disclose transactions of the Group with other Group companies.

27 Ultimate holding company

As at 31 December 2004, the Company's immediate parent company is CKI UK Water (BVI) Limited. This company is a wholly owned subsidiary of Cheung Kong
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

28 Cashflow

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 Group and contain a cash flow statement.