CKI UK Water Limited

Report and financial statements

for the 18 month period ended 30 June 2017

Registered number: 5095089

Contents

Report and Financial Statements 2017

Officers and Professional Advisers

Registered Office	3 More London Riverside London SE1 2AQ
Directors	Edmond Tak Chuen Ip Andrew John Hunter Sai Hong Luk (alternate to Edmond Tak Chuen Ip) Tsien Hua Chen (alternate to Andrew John Hunter)
Company Secretary	Norose Company Secretarial Services Limited
Auditor	Deloitte LLP Statutory Auditor Cambridge United Kingdom
Solicitors	Norton Rose 3 More London Riverside London SE1 2AQ
Bankers	HSBC 17 Gerrard Street London W1V 8HB

Strategic report

For the 18 month period ended 30 June 2017

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the 18 month period ended 30 June 2017 and comparatives for the prior year ended 31 December 2015. Given the company is a holding company this has minimal impact on the comparability of the two periods. The accounts are presented under Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council.

Business strategy

The principal activity of the company is to act as an investment holding company for Iceni Waters Limited. During the prior year the company's subsidiary was placed into administration. Accordingly, an impairment was recorded in that year of £2.2m and a further impairment of £0.4m has been required in the current period as shown in note 2.

Financial and operational review

The balance sheet shows net assets of £39.9m at 30 June 2017 (£39.8m at 31 December 2017). The company made a profit of £37,000 in the 18 month period ended 30 June 2017 (year ended 31 December 2015 - £10.0m loss) driven by an impairment of investments (see note 2 for details) which offsets income created by the settlement of intercompany balances.

Dividends

The directors did not recommend payment of a dividend (year ended 31 December 2015 - £nil) in the period. A dividend of £37.2m was declared in March 2018.

Principal risks and uncertainties

The company holds intercompany balances with its subsidiary undertaking Iceni Waters Limited which is in liquidation, however, this is deemed recoverable by the directors as discussed in note 2 of the financial statements. There are no other risks or uncertainties to the entity.

Going concern

The company is primarily an investment holding company. Its only subsidiary, Iceni Waters Limited, is in liquidation which is expected to be finalised and the entity struck off in the near future. Following this, the directors intend to also strike off CKI UK Water Limited. Post year end, the share capital of the entity was reduced and all intercompany balances with the parent company settled in preparation for strike off.

After taking account of the above, the directors prepared the financial statements on a basis other than that of a going concern.

Subsequent events

In March 2018 the company completed a capital reduction of £17.2m increasing distributable resources to £39.9m, and the Board approved a dividend of £37.2m settled by the recovery of intercompany balances.

Approved by the Board of Directors and signed on behalf of the Board on 30 March 2018.

Edmond Tak Chuen Ip
Director

Directors' report

For the 18 month period ended 30 June 2017

The directors present their annual report for the affairs of CKI UK Water Limited, together with the accounts and auditor's report for the 18 month period ended 30 June 2017. The principal activity, business strategy, financial and operational review, dividends, principal risks and uncertainties and going concern are presented in the Strategic report on page 2.

Directors

The directors who served during the period and subsequently were as follows:

- Edmond Tak Chuen Ip
- Andrew John Hunter
- Sai Hong Luk (alternate to Edmond Tak Chuen Ip)
- Tsien Hua Chen (alternate to Andrew John Hunter)

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 of 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.

Approval of reduced disclosures

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 "reduced disclosure framework". The company's shareholders have been notified about the intention to take advantage of the disclosure exemptions and no objections have been received. The company also intend to take advantage of these exemptions in the accounts to be issued in the following year. Objections may be served on shareholders holding in aggregate 5 per cent or more of the total allocated shares in the company at any time.

By order of the Board

Edmond Tak Chuen Ip

Director

30 March 2018

3 More London Riverside, London, SE1 2AQ

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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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.

Independent auditor's report to the members of CKI UK Water Limited

We have audited the financial statements of CKI UK Water Limited for the 18 months ended 30 June 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 11. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 June 2017 and of its profit for the 18 months 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.

Emphasis of matter – Financial statements prepared on a basis other than that of a going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Independent auditor's report to the members of CKI UK Water Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

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.

Scott Bayne

Scott Bayne FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, England

30 March 2018

Profit and loss account

For the 18 month period ended 30 June 2017

	Notes	18 month period ended 30 June 2017 £'000	Year ended 31 December 2015 £'000
Other income	3	476	-
Administrative expenses			
- Other		(19)	(29)
- Exceptional items	3	(400)	(9,954)
Profit/(loss) before taxation	3	57	(9,983)
Tax on profit/(loss)	5	(20)	6
Profit/(loss) after taxation		37	(9,977)

All results arise from continuing operations.

There are no comprehensive income or expenses other than the profit for the financial period and the loss for the preceding financial year. Accordingly, no statement of comprehensive income is given.

Balance sheet

As at 30 June 2017

	Notes	30 June 2017 £'000	31 December 2015 £'000
Fixed assets			
Investments	6	680	1,080
Current assets			
Debtors	7	44,697	47,386
Cash at bank and in hand		1	1
		44,698	47,387
Creditors: Amounts falling due within one year	8	(5,498)	(8,624)
Net current assets		39,200	38,763
Total assets less current liabilities, being net assets		39,880	39,843
Capital and reserves			
Called-up share capital	9	17,161	17,161
Profit and loss account	9	22,719	22,682
Shareholders' funds		39,880	39,843

The accompanying notes are an integral part of this balance sheet.

The financial statements of CKI UK Water Limited, registered number 5095089, were approved by the Board of Directors and authorised for issue on 30 March 2018 and signed on its behalf by:

Edmond Tak Chuen Ip

Director

Statement of changes in equity

For the 18 month period ended 30 June 2017

	Called up share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2015	17,161	32,659	49,820
Loss for the financial year	-	(9,977)	(9,977)
At 31 December 2015	17,161	22,682	39,843
Profit for the financial period	-	37	37
At 30 June 2017	17,161	22,719	39,880

Notes to the financial statements

For the 18 month period ended 30 June 2017

1. Accounting policies

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

General information and basis of accounting

CKI UK Water Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2016 and is registered in England and Wales. The address of the registered office is 3 More London Riverside, London, SE1 2AQ. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of CKI UK Water Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

CKI UK Water Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel and related party transactions.

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 prepares consolidated financial statements, which are publicly available.

Going concern

The company is primarily an investment holding company. Its only subsidiary, Iceni Waters Limited, is in liquidation which is expected to be finalised and the entity struck off in the near future. Following this, the directors intend to also strike off CKI UK Water Limited. Post year end, the share capital of the entity was reduced and all intercompany balances with the parent company settled in preparation for strike off.

After taking account of the above, the directors prepared the financial statements on a basis other than that of a going concern. The directors have considered the recoverable value of the assets and completeness of the liabilities and are satisfied that there are no material adjustments required to the financial statements as a result.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Investments
The company carries the value of its investments at cost less any provision for impairments.

Financial instruments
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

1. Accounting policies (continued)

Financial instruments (continued)

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the terms of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

1. *Accounting policies (continued)*

Impairment of assets (continued)

(i) Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

(ii) Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted and the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

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.

2. Critical accounting judgements and key sources of estimated uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgements in applying the company's accounting policies

On the basis of the transactions that took place post year end regarding the intercompany balances, and the latest information received from the liquidators of the subsidiary, the directors consider there to be no material estimates or judgements involved in balances in the financial statements.

Notes to the financial statements (continued)

3. Profit/ (loss) before taxation

	18 month period ended 30 June 2017 £'000	Year ended 31 December 2015 £'000
Profit/(loss) before taxation is stated after charging/(crediting):		
Other income – settlement of intercompany balances	(476)	-
Auditor's remuneration for the audit of the company's annual accounts	15	12
Management fee	-	14
Write off of intercompany debt	-	7,784
Investment impairment charge (note 6)	400	2,170

4. Directors' remuneration and employees

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

The company has no employees in the current period or prior year.

5. Tax on profit (loss)

	18 month period ended 30 June 2017 £'000	Year ended 31 December 2015 £'000
Current taxation		
UK corporation tax at 19.83% (year ended 31 December 2015 – 20.25%)	20	(6)

Factors affecting tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19.83% (year ended 31 December 2015 – 20.25%). The differences are explained below:

5. Tax on profit/(loss) (continued)

Factors affecting tax charge/(credit) for the year (continued)

	18 month period ended 30 June 2017 £'000	Year ended 31 December 2015 £'000
Profit/(loss) on ordinary activities before taxation	57	(9,983)
Tax on profit/(loss) at 19.83% (year ended 31 December 2015 – 20.25%)	11	(2,021)
Effects of:		
Income and expenses not chargeable to tax	9	2,015
Group relief surrendered	-	6
Receipt for group relief	-	(6)
Current tax charge/(credit) for the period/year	20	(6)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rate substantively enacted being 17% with effect from 1 April 2020. The closing deferred tax assets and liabilities, if they existed, would be calculated at 17% in accordance with the rates enacted at the balance sheet date.

6. Fixed asset investments

	Subsidiary undertakings £'000
Cost at 1 January 2016 and 30 June 2017	3,250
Provision for impairment	
At 1 January 2016	(2,170)
Impairment in period	(400)
At 30 June 2017	(2,570)
Net book value	
At 30 June 2017	680
At 31 December 2015	1,080

Subsidiary undertaking	Country of incorporation or principal business address	Principal activity	Holding	%
Iceni Waters Limited	UK	In liquidation	Ordinary	100

The subsidiary has a registered office of 3 More London Riverside, London, SE1 2AQ.

7. Debtors

	30 June 2017 £'000	31 December 2015 £'000
Amounts falling due within one year:		
Prepayments	6	2
Loans owed by parent undertakings	42,686	45,378
Loans owed by subsidiary undertakings	2,000	2,000
Intercompany debtors	5	6
	44,697	47,386

Due to the subsidiary's liquidation, the interest free loan owed by subsidiary undertakings is expected to be recovered within 12 months of the balance sheet date.

The loans owed by parent undertakings are interest free and repayable on demand. In March 2018, the intercompany balance was settled via a dividend of £37.2m with the remaining balance of £5.5m offset with the payable shown in Note 8.

8. Creditors: amounts falling due within one year

	30 June 2017 £'000	31 December 2015 £'000
Corporation tax	20	-
Trade creditors	11	18
Amounts owed to parent undertakings	5,467	8,606
	5,498	8,624

The amount owed to parent undertakings is interest free and unsecured. It is repayable on demand and is consequently disclosed as falling due within one year.

In March 2018, the intercompany payable balance was cleared via net settlement with the receivable shown in Note 7.

Notes to the financial statements (continued)

9. Called up share capital and reserves

	30 June 2017 £'000	31 December 2015 £'000
Called up, allotted and fully paid		
17,161,375 ordinary shares of £1 each	17,161	17,161

The company's other reserve is as follows:

The profit and loss reserve represents cumulative profits or losses.

In March 2018, the company cancelled 17,161,374 of its ordinary shares.

10. Related party transactions

The company is a wholly owned subsidiary and utilises the exemption contained within FRS 102 section 33.2.2, "Related Party Disclosures", not to disclose any transaction with entities that are a wholly owned part of the group.

11. Ultimate parent company

At 30 June 2017, the company's immediate parent company is CKI UK Water (BVI) Limited, incorporated in the British Virgin Islands.

The ultimate parent company, and therefore the ultimate controlling party of the group is CK Hutchison Holdings Limited ("CK Hutchison"), a company incorporated in the Cayman Islands and whose shares are listed on the Hong Kong Stock Exchange. This is the largest group of which the company is a member and for which group accounts are drawn up.

CK Infrastructure Holdings Limited ("CKI"), a company incorporated in Bermuda and whose shares are listed on the Hong Kong Stock Exchange, is an intermediate parent company and the smallest group of which the company is a member and for which group accounts are drawn up.

Consolidated financial statements for both groups are available from the registered address of this company, as shown in the Directors' report.