

CKI NUMBER 2 LIMITED
Registered Number 07282841
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 December 2011



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Directors

Andrew John Hunter
Hing Lam Kam
Edmond Tak Chuen Ip
Basil Scarsella
Duncan Nicholas Macrae

Auditor

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DIRECTORS' REPORT

The Directors present their annual report and financial statements of CKI Number 2 Limited (the "Company") for the year ended 31 December 2011

Principal activity and review of the business

The Company's principal activity is that of an investment holding company and it will continue in this activity for the foreseeable future

The Company was incorporated on 14 June 2010 and commenced trading on 28 October 2010 as part of a consortium group which acquired the electricity distribution and asset management businesses of EDF Energy plc in the United Kingdom. The acquired group is now the UK Power Networks Group headed by UK Power Networks Holdings Limited.

The consortium consists of 3 members with joint control over the UK Power Networks group

Consortium member	Interest in UK Power Networks Group
Power Assets Holdings Limited	40%
Li Ka-Shing Foundation Limited	20%
Cheung Kong Infrastructure Holdings Limited	40%

The Company, being a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited ("CKI") acted as an intermediary vehicle in CKI's acquisition of the 40% interest in the UK Power Networks Group. The Company was party to a share holder agreement between members of the consortium group which stipulated the equity investment and shareholder loan arrangements required for the acquisition.

Business Review

The profit for the period, before taxation amounted to £76,683,000 (28 October to 31 December 2010 £142,000) and after taxation to £76,670,000 (28 October to 31 December 2010 £142,000). Dividends of £75,883,000 were paid in the year (28 October to 31 December 2010 £nil).

Future developments

The Directors regard the year end financial position as satisfactory and expect the Company to continue to perform to a satisfactory level in the future.

Directors

Andrew John Hunter	
Hing Lam Kam	
Edmond Tak Chuen Ip	
Basil Scarsella	(appointed on 13 May 2011)
Duncan Nicholas Macrae (Alternate Director)	(appointed on 16 January 2012)

None of the Directors had a service contract with the Company during the period.

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

DIRECTORS' REPORT continued

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the only financial risks the Directors consider relevant to this Company are credit and liquidity risk.

Credit and liquidity risk

The Company's exposure to credit and liquidity risk is reduced as it is a 100% subsidiary of the CKI group of companies. Credit risk is mitigated by the nature of the debtor balances owed, as the other group companies are able to repay their debts if required. Liquidity risk is mitigated by the financial support given by the parent company Cheung Kong Infrastructure Holdings Limited.

Going concern

The Company has considerable financial resources and no external debt and therefore has adequate resources to continue for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Political and charitable contributions

During the year, the Company made no charitable contributions and no political contributions.

Disclosure of information to Auditor

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

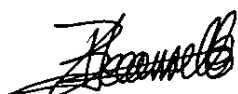
- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware, and
- the Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's 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.

Auditor

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 and signed on its behalf by



B Scarsella
Director
18 April 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the affairs of the Company and of the profit and loss of the Company for the year. 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 United Kingdom 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 NUMBER 2 LIMITED

We have audited the financial statements of CKI Number 2 Limited for the year ended 31 December 2011 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 Statement of Directors' Responsibilities, 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 (United Kingdom 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. 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 31 December 2011 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.

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.



Makhan Chahal (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

18 April 2012

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011 (PRIOR PERIOD 28 OCTOBER TO 31 DECEMBER 2010)**

	<i>Note</i>	12 months 2011 £000	2 months 2010 £000
Income from fixed asset investments	4	76,633	142
Other income		50	-
Profit on ordinary activities before taxation		76,683	142
Tax on profit on ordinary activities	5	(13)	-
Profit on ordinary activities for the period	11	76,670	142

All results are derived from continuing operations. The Company was incorporated on 14 June 2010 and commenced trading on 28 October 2010. Accordingly the prior year numbers cover a 2 month period from 28 October 2010 to 31 December 2010.

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

**BALANCE SHEET
AT 31 DECEMBER 2011**

	<i>Note</i>	2011 £000	2010 £000
Fixed assets			
Fixed asset investments	6	940,872	940,872
Current assets			
Debtors	7	942	142
Creditors: Amounts falling due within one year	8	(13)	-
Net current assets		929	142
Net assets		941,801	941,014
Capital and reserves			
Share capital	9	192,000	192,000
Share premium	11	748,872	748,872
Profit and loss account	11	929	142
Shareholder's funds		941,801	941,014

The financial statements of CKI Number 2 Limited, registered number 07282841, on pages 6 to 12 were approved by the Board of Directors on 18 April 2012 and were signed on its behalf by



**B Scarsella
Director**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year.

Basis of preparation

These financial statements have been prepared on a consistent basis under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group, headed by Cheung Kong Infrastructure Holdings Limited (the "Group") listed on the Hong Kong Stock Exchange, whose consolidated financial statements include a cash flow statement and are publicly available.

Going concern

The Company has considerable financial resources and no external debt and therefore has adequate resources to continue for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Investments

Fixed asset investments are shown at cost less provision for impairment. Income received from fixed asset investments is recognised on an accrual basis.

Consolidation

The Company is exempt from preparing consolidated accounts as it is a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited, which prepares consolidated financial statements which include the results of the Company and are publicly available.

Taxation

Current tax, including United Kingdom 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, or a right to pay less, tax in the future have occurred at the balance sheet date with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses,
- provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over or eliminated by capital losses, and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis.

2. Auditor remuneration

In 2011 an amount of £2,000 (2010: £2,000) for the audit of the Company's annual accounts was payable to Deloitte LLP. Auditor remuneration was borne by another group company.

NOTES TO THE FINANCIAL STATEMENTS Continued

3. Directors' emoluments

The Company has no employees and therefore has incurred no employment or pension costs for the year

The Directors are not employed directly by the Company and did not receive any remuneration for services to the Company during the period

4. Income from fixed asset investments

	12 months 2011 £000	2 months 2010 £000
1% Cumulative preference share dividends	800	142
Equity preference share dividends	2,167	-
Ordinary dividends receivable	73,666	-
Profit for the period	76,633	142

5. Tax on profit on ordinary activities

(a) Analysis of tax charge in the period

UK current tax	12 months 2011 £000	2 months 2010 £000
UK corporation tax charge on profit for the period	13	-
Total tax charge on loss on ordinary activities	13	-

(b) 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
The differences are explained below

	12 months 2011 £000	2 months 2010 £000
Profit on ordinary activities before taxation	76,683	142
Tax on profit on ordinary activities at standard UK rate of corporation tax of 26.5% (2010 28.0%)	20,321	40
Non taxable income	(20,308)	(40)
Current tax charge for the period	13	-

NOTES TO THE FINANCIAL STATEMENTS Continued

5. Tax on profit on ordinary activities continued

A reduction in the mainstream UK tax rate from 28% to 26%, effective 1 April 2011, was enacted in the Finance Act 2011 resulting in an average corporation tax rate for the year of 26.5%. A further reduction to 25% effective from 1 April 2012 was enacted in July 2011. This had no impact on the results for the year. The Finance Bill 2012 contains an additional reduction in the mainstream corporation tax rate from 25% to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These changes had not been substantively enacted in Law at the balance sheet date and therefore are not relevant to these financial statements.

6. Fixed asset investments

Investment in subsidiary undertakings and associates

	Total £000
At 1 January 2011 and 31 December 2011	940,872

The principal investees at 31 December 2011, which are incorporated in Great Britain and are registered and operate in England and Wales, are as follows:

	Percentage of ordinary shares held	Principal Activity
Subsidiary undertakings		
CKI Number 1 Limited	100%	Investment holding
Associate		
*UK Power Networks Holdings Limited	40%	Investment holding

*Indirectly held by the Company

NOTES TO THE FINANCIAL STATEMENTS Continued

7. Debtors

	2011 £000	2010 £000
Amounts falling due after more than one year:		
Preference share dividends receivable	942	142

8. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Corporation tax	13	-

9. Share capital

	2011 Number	2010 Number	2011 £000	2010 £000
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	19,200,000,002	19,200,000,002	192,000	192,000

10. Dividends on equity shares

	12 months 2011 £000	2 months 2010 £000
Dividend paid		
Ordinary dividends on equity shares – 0.26p (2010: nil) per ordinary share	49,833	-
Dividend declared in specie		
Ordinary dividends on equity shares – 0.136p (2010: nil) per ordinary share	26,050	-
	75,883	-

The dividends were approved on 1 December 2011 for payment to CKI Number 3 on 15 December 2011

NOTES TO THE FINANCIAL STATEMENTS Continued

11. Reconciliation of shareholder's funds

	Share Capital £000	Share Premium £000	Profit & loss account £000	Total £000
At 14 June 2010	-	-	-	-
Issue of new shares	192,000	748,872	-	940,872
Profit for the period	-	-	142	142
At 31 December 2010	192,000	748,872	142	941,014
Profit for the year	-	-	76,670	76,670
Dividends paid	-	-	(75,883)	(75,883)
At 31 December 2011	192,000	748,872	929	941,801

12. Financial commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2010 £nil)

13. Related parties

In accordance with FRS 8 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are part of the Group or investees of the Group qualifying as related parties, as it is a wholly owned subsidiary of a parent, which prepares consolidated accounts which are publicly available

14. Parent undertaking and controlling party

CKI Number 3 Limited holds a 100% interest in CKI Number 2 Limited and is considered to be the immediate parent company

Cheung Kong Infrastructure Holdings Limited ("CKI"), a company incorporated in Bermuda with limited liability and listed on the Hong Kong Stock Exchange, heads the smallest group for which consolidated financial statements are prepared which include the results of the Company. Copies of those financial statements are available on CKI's website, www.cki.com.hk

Hutchinson Whampoa Limited ("HWL"), a company incorporated in Hong Kong with limited liability and listed on the Hong Kong Stock Exchange is considered to be the ultimate controlling party and heads the largest group for which consolidated financial statements are prepared which include the results of the Company. Copies of those financial statements are available on HWL's website www.hutchison-whampoa.com