

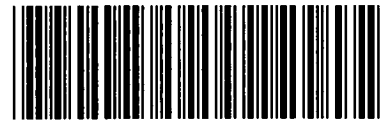
Registration number: 7282841

# CKI Number 2 Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2017

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## **CKI NUMBER 2 LIMITED**

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**CKI NUMBER 2 LIMITED**

**COMPANY INFORMATION**

**Directors**                Andrew John Hunter  
                                 Edward Tak Chuen Ip  
                                 Duncan Nicholas Macrae (Alternate Director)  
                                 Basil Scarsella  
                                 Hing Lam Kam

**Company Secretary** Christopher Baker

**Registered office**      Newington House  
                                 237 Southwark Bridge Road  
                                 London  
                                 SE1 6NP  
                                 United Kingdom

**Auditors**                Deloitte LLP  
                                 Statutory Auditor  
                                 2 New Street Square  
                                 London  
                                 EC4A 3BZ  
                                 United Kingdom

**STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017**

The Directors present their Strategic Report for the year ended 31 March 2017.

**Principal activity**

The principal activity of CKI Number 2 Limited (the "Company") is an investment holding company. The Company's investments are listed in note 8.

**Review of the business**

The reported period is the year from 1 April 2016 to 31 March 2017 compared to a prior period from 31 December 2014 to 31 March 2016. The extended prior period is the result of a change in the accounting reference date from 30 December to 31 March.

This is the first year that the Company has presented its Financial Statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council (the FRC). The transition date to FRS 102 is the start of the prior period 31 December 2014. The application of FRS 102 has not resulted in any material changes to the accounting policies, the financial results or financial position of the Company.

The Company receives income from associate undertakings in the form of dividends and interest which are paid on as ordinary dividends to the immediate parent company, CKI Number 3 Limited.

The results for the year amounted to a profit before taxation of £109,482,000 (31 December 2014 to 31 March 2016: £100,316,000) and a profit after taxation of £109,482,000 (31 December 2014 to 31 March 2016: £100,316,000).

Dividends of £109,484,000 were paid during the year (31 December 2014 to 31 March 2016: £100,916,000).

**Principal risks and uncertainties**

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the Directors consider credit risk and liquidity risk to be the key financial risks.

The Company's exposure to these risks is reduced as it is a wholly owned subsidiary of the CKI group of companies. Credit risk is mitigated by the nature of the debtor balances owed, with these being due from other Group companies of strong financial standing. In addition liquidity risk is mitigated by the strong financial standing of the parent company CK Infrastructure Holdings Limited.

**Future developments**

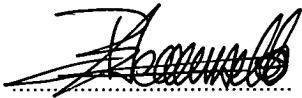
The Directors expect the Company to maintain a consistent level of performance in the future.

**STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017**

**Going concern**

The Company's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Company has adequate resources to continue operating for the foreseeable future. Therefore the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 3 August 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'B Scarsella', written over a dotted line.

**B Scarsella**  
**Director**

Newington House  
237 Southwark Bridge Road  
London  
SE1 6NP  
United Kingdom

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017**

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2017.

Details of future developments and going concern are included in the Strategic Report and form part of this report by cross reference.

**Political contributions**

The Company made no political donations in the current year or prior period.

**Directors of the Company**

The directors who held office during the year were as follows:

Andrew John Hunter

Edward Tak Chuen Ip

Duncan Nicholas Macrae (Alternate Director)

Basil Scarsella

Hing Lam Kam

None of the Directors had a service contract with the Company in the current year or prior period.

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

**Auditor**

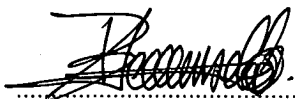
Each of the persons who is a director of the Company at the date of approval of this Annual Report confirms that:

- 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.

During the year the decision was made to reappoint Deloitte LLP as Auditor following a formal tender process. A resolution to reappoint them as Auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 3 August 2017 and signed on its behalf by:



B Scarsella  
Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors acknowledge their responsibilities 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 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 March 2017, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 12. 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 Statement of Directors' Responsibilities (set out on page 5), 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 (APB'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 the 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 March 2017 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CKI NUMBER 2 LIMITED**

**Opinion on other matters 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the 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.

*Marianne Milnes*

.....  
**Marianne Milnes (Senior Statutory Auditor)**

For and on behalf of Deloitte LLP  
Statutory Auditor

London  
United Kingdom

3 August 2017

**CKI NUMBER 2 LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017**

		<b>Year ended 31 March 2017 £ 000</b>	<b>31 December 2014 to 31 March 2016 £ 000</b>
Income from fixed asset investments	<b>Note</b> 6	<u><b>109,482</b></u>	<u><b>100,316</b></u>
<b>Profit before tax</b>		<b>109,482</b>	<b>100,316</b>
Taxation	7	<u>-</u>	<u>-</u>
<b>Profit for the year</b>		<u><b>109,482</b></u>	<u><b>100,316</b></u>

The above results were derived from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017**

	<b>Year ended 31 March 2017 £ 000</b>	<b>31 December 2014 to 31 March 2016 £ 000</b>
<b>Profit for the year</b>	<u><b>109,482</b></u>	<u><b>100,316</b></u>
<b>Total comprehensive income for the year</b>	<u><b>109,482</b></u>	<u><b>100,316</b></u>


The notes on pages 11 to 16 form an integral part of these financial statements.

**CKI NUMBER 2 LIMITED**

**BALANCE SHEET AS AT 31 MARCH 2017**

	Note	31 March 2017 £ 000	31 March 2016 £ 000
<b>Fixed assets</b>			
Investments	8	940,872	940,872
<b>Current assets</b>			
Debtors falling due within one year	9	142	144
<b>Net assets</b>		<u>941,014</u>	<u>941,016</u>
<b>Capital and reserves</b>			
Called up share capital	10	192,000	192,000
Share premium account	10	748,872	748,872
Profit and loss account	10	142	144
<b>Total shareholders' funds</b>		<u>941,014</u>	<u>941,016</u>

The financial statements of CKI Number 2 Limited (registered number 7282841) were approved by the Board of Directors and authorised for issue on 3 August 2017. They were signed on its behalf by:

  
B Scarsella  
Director

The notes on pages 11 to 16 form an integral part of these financial statements.

**CKI NUMBER 2 LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017**

	Share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 31 December 2014	192,000	748,872	744	941,616
Profit for the period	-	-	100,316	100,316
Total comprehensive income	-	-	100,316	100,316
Dividends	-	-	(100,916)	(100,916)
At 31 March 2016	192,000	748,872	144	941,016

	Share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2016	192,000	748,872	144	941,016
Profit for the year	-	-	109,482	109,482
Total comprehensive income	-	-	109,482	109,482
Dividends	-	-	(109,484)	(109,484)
At 31 March 2017	192,000	748,872	142	941,014

The notes on pages 11 to 16 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**1 General information**

CKI Number 2 Limited (the "Company") is incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales.

The principal activities of the Company and the nature of the Company's operations are set out in the Strategic Report on pages 2 to 3.

The address of its registered office is:

Newington House  
237 Southwark Bridge Road  
London  
SE1 6NP  
United Kingdom

**2 Accounting policies**

The principal accounting policies adopted by the Company are set out below. This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council (the FRC). The last financial statements under previous UK GAAP were for the period from 31 December 2014 to 31 March 2016 and the date of transition to FRS 102 was therefore 31 December 2014. The application of FRS 102 has not resulted in any material changes to the accounting policies, the financial results or financial position of the Company. The accounting policies have all been applied consistently throughout the current and preceding period.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102. The Company has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 effective for accounting periods beginning on or after 1 January 2016.

The functional currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has taken advantage of certain exemptions in its financial statements on the basis that it meets the definition of a "qualifying entity" under FRS 102 being:

"a member of a group where the parent of that Group (CK Infrastructure Holdings Limited) prepares publicly available consolidated financial statements which are intended to give a true and fair view and the member (the Company) is included in the consolidation."

The Company has therefore chosen not to present a cash flow statement and not to disclose related party transactions with other wholly owned members of the Group.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

**2 Accounting policies (continued)**

**Consolidation**

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

**Going concern**

As discussed in the Strategic Report the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting 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 accruals basis.

**Tax**

The tax expense for the period comprises current tax.

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.

**3 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, the Directors may be required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience or other factors that are considered to be relevant. Actual results might differ from these estimates.

In the Directors' opinion there are no critical judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in these financial statements.

**4 Auditor's remuneration**

The amount payable to Deloitte LLP was £2,500 (31 December 2014 to 31 March 2016: £2,500) in respect of audit services and £Nil (31 December 2014 to 31 March 2016: £Nil) in respect of non-audit services. Auditor's remuneration was borne by another Group company in the current year and prior period.

**5 Directors' remuneration and employee information**

The Directors are not employed by the Company and did not receive any remuneration for services to the Company during the current year or prior period.

The Company had no employees in the current year or prior period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**6 Income from fixed asset investments**

	Year ended 31 March 2017 £ 000	31 December 2014 to 31 March 2016 £ 000
<b>Income from associates</b>		
1% cumulative preference share dividends receivable from associates	798	999
Equity preference share dividends receivable from associates	<u>3,617</u>	<u>3,034</u>
	<b>4,415</b>	<b>4,033</b>
<b>Income from subsidiaries</b>		
Ordinary dividends receivable from subsidiaries	<u>105,067</u>	<u>96,283</u>
	<u><b>109,482</b></u>	<u><b>100,316</b></u>

**7 Taxation**

The tax charge in the current year and prior period was £Nil. The differences between the tax charge and the amount calculated by applying the standard rate of 20% (31 December 2014 to 31 March 2016: 20.2%) to reported profit, are reconciled below:

	Year ended 31 March 2017 £ 000	31 December 2014 to 31 March 2016 £ 000
Profit before tax	<u>109,482</u>	<u>100,316</u>
Corporation tax at standard rate	21,896	20,264
Income not taxable in determining taxable profit	<u>(21,896)</u>	<u>(20,264)</u>
Total tax charge/(credit)	<u>-</u>	<u>-</u>

The average current tax rate applied for the period was 20% (31 December 2014 to 31 March 2016: 20.2%). The most recent rate change affecting the current tax rate was the reduction from 21% to 20% effective from 1 April 2015. Further rate changes to 19% from 1 April 2017 and 17% from 1 April 2020 have been substantively enacted but do not affect the reported results.

**8 Fixed asset investments**

	31 March 2017 £ 000	31 March 2016 £ 000
Investments in subsidiaries and associates	<u>940,872</u>	<u>940,872</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

## 8 Fixed asset investments (continued)

The Company has investments in the following subsidiaries and associates:

<b>Subsidiaries</b>	<b>Principal activity</b>	<b>%</b>
CKI Number 1 Ltd	Investment holding	100%
<b>Associates</b>	<b>Principal activity</b>	<b>%</b>
UK Power Networks (Operations) Ltd	Maintenance of distribution networks	38.34%
London Power Networks plc	Management of distribution network	38.34%
Eastern Power Networks plc	Management of distribution network	38.34%
South Eastern Power Networks plc	Management of distribution network	38.34%
Lea Valley Utilities Ltd	Dormant	38.34%
UK Power Networks (IDNO Finance) Ltd	Investment holding	38.34%
UK Power Networks (IDNO) Ltd	Electricity distribution project	38.34%
UK Power Networks (South East Services) Ltd	Groundworks contracting	38.34%
UK Power Networks (Transport) Ltd	Provision of transport services	38.34%
UK Power Networks Insurance Ltd	Insurance	38.34%
UK Power Networks Group (Trustee) Ltd	Pension Trustee	38.34%
UK Power Networks (Trustee) Ltd	Pension Trustee	38.34%
UK Power Networks Services Holdings Ltd	Investment holding	38.34%
UK Power Networks Services (Contracting) Ltd	Electricity distribution projects	38.34%
UK Power Networks Services (Enterprises) Ltd	Investments in commercial projects	38.34%
UK Power Networks Services (South East) Ltd	Investment holding	38.34%
UK Power Networks Services (Development) Ltd	Investment holding	38.34%
UK Power Networks Services (Asset Management) Ltd	Investment holding	38.34%
UK Power Networks Services (Commercial) Ltd	Electrical contracting	38.34%
UK Power Networks Services (Powerlink Holdings) Ltd	Investment holding	38.34%
UK Power Networks Services Powerlink Ltd	Asset management	30.67%
*UK Power Networks Holdings Ltd	Investment holding	38.34%

\* The Company's 38.34% shareholding in UK Power Networks Holdings Limited comprises 4,000,000 B ordinary shares of £1.00 each and 80,000,000 B preference shares of £1.00 each held indirectly through CKI Number 1 Limited, and 80,000,000 B preference shares of £1.00 each held directly by the Company. The ordinary shares account for 35% of the equity investment. The preference shares entitle the Company to a 3.34% equity share in available profits and a fixed cumulative dividend of 1% payable annually in arrears.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

**8 Fixed asset investments (continued)**

The associate UK Power Networks Insurance Limited is registered at:

Willis Management (Guernsey) Limited  
4th floor  
The Albany  
South Esplanade  
St Peter Port  
Guernsey

All other entities listed above are registered at the following address:

Newington House  
237 Southwark Bridge Road  
London  
SE1 6NP  
United Kingdom

**9 Debtors**

	31 March 2017 £ 000	31 March 2016 £ 000
<b>Amounts falling due within one year:</b>		
Preference share dividends receivable from associate	142	144
	<u>142</u>	<u>144</u>

**10 Called up share capital and reserves**

	31 March 2017 £ 000	31 March 2016 £ 000
<b>Allotted, called up and fully paid</b>		
19,200,000,002 ordinary shares of £0.01 each	<u>192,000</u>	<u>192,000</u>

**Other reserves**

The share premium account contains the premium arising on issue of equity shares, net of issue expenses.

The Company's profit and loss account represents cumulative profits or losses net of dividends paid.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

**11 Related party transactions**

Amounts owed by associates are disclosed in note 9. Preference dividends received from associates during the year are disclosed in note 6.

The Company has taken an exemption under FRS 102 (section 33 2.2) not to disclose transactions with other wholly owned members of the Group. The Company qualifies for this exemption on the basis that it is a wholly owned subsidiary of a parent which prepares publicly available consolidated financial statements intended to give a true and fair view of the financial position and results of the Group, and the Company is included within the consolidation. No other related party transactions were entered into during the year or prior period.

**12 Parent and ultimate parent undertaking**

The Company's immediate parent is CKI Number 3 Limited, incorporated in England and Wales and registered at the following address:

Newington House  
237 Southwark Bridge Road  
London  
SE1 6NP  
United Kingdom

CK Infrastructure Holdings Limited is the parent of the smallest group in which the Company's financial statements are consolidated, and is registered at the following address:

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

The consolidated financial statements of CK Infrastructure Holdings Limited are available from [www.cki.com.hk](http://www.cki.com.hk).

The ultimate controlling party and parent of the largest group in which the Company's financial statements are consolidated is CK Hutchison Holdings Limited, registered at the following address:

PO Box 309  
Ugland House  
Grand Cayman  
KY1 - 1104  
Cayman Islands

The consolidated financial statements of CK Hutchison Holdings Limited are available from [www.ckh.com.hk](http://www.ckh.com.hk).