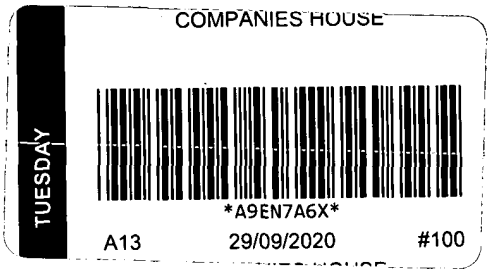
Registration number: 7282841

CKI Number 2 Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020



CONTENTS

	Page
Company Information	1
Strategic Report	2 to 3
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 8
Profit and Loss Account	9
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 17

COMPANY INFORMATION

Directors	Andrew John Hunter Edmond Tak Chuen Ip Duncan Nicholas Macrae (Alternate Director) Basil Scarsella Hing Lam Kam
Company Secretary	Andrew Pace
Registered office	Newington House 237 Southwark Bridge Road London SE1 6NP United Kingdom
Auditor	Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ United Kingdom

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their Strategic Report for the year ended 31 March 2020.

Principal activity
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 Company receives dividend income from an associate and a subsidiary undertaking which funds dividend payments to the immediate parent company, CKI Number 3 Limited.

The results for the year amounted to a profit before taxation of £117,402,000 (2019: £91,833,000) and a profit after taxation of £117,402,000 (2019: £91,833,000).

Dividends of £117,400,000 (2019: £91,833,000) were paid during the year.

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.

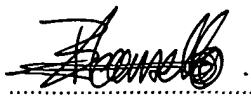
The COVID-19 outbreak may continue to result in a significant economic slowdown, if not recession, in the months ahead and there is uncertainty in predicting the extent and duration of the effects of the pandemic on the business. The Directors expect the disruption to be temporary without material effect on the future financial position and prospects of the Company.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Going concern

The ongoing COVID-19 pandemic and related disruption is not expected to have a material effect on the Company's financial position and prospects. The Company's forecasts and projections, taking into account reasonably possible changes in trading performance including having considered the impacts of COVID-19, show that the Company has adequate resources to meet its obligations as they fall due in the twelve month period following the approval of these financial statements and to continue operating for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 21 September 2020 and signed on its behalf by:



Basil Scarsella
Director

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their Annual Report including the Audited Financial Statements of the Company for the year ended 31 March 2020. Details of the Company's risk management objectives and policies, 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 or prior year.

Directors of the Company
The Directors who held office during the year were as follows:

Andrew John Hunter

Edmond 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 or prior year.

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.

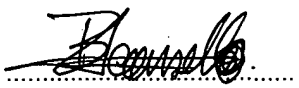
Disclosure of information to Auditor
Each of the persons who is a director of the Company at the date of approval of this Annual Report confirms that:

- 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.

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 on 21 September 2020 and signed on its behalf by:



Basil 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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of CKI Number 2 Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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 13 including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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.

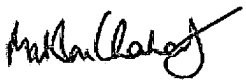
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CKI NUMBER 2 LIMITED

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report
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.



.....
Makhan Chahal (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

London
United Kingdom

21 September 2020

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £ 000	2019 £ 000
Income from fixed asset investments	6	**117,402**	91,833
Profit before tax		**117,402**	91,833
Taxation	7	**-**	-
Profit for the year		**117,402**	91,833

The above results were derived from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	2020 £ 000	2019 £ 000
Profit for the year	**117,402**	91,833
Total comprehensive income for the year	**117,402**	91,833

The notes on pages 12 to 17 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 MARCH 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Investments	8	**940,872**	940,872
Current assets			
Debtors falling due within one year	9	**144**	142
Net assets		**941,016**	941,014
Capital and reserves			
Called up share capital	10	**192,000**	192,000
Share premium account	10	**748,872**	748,872
Profit and loss account	10	**144**	142
Total shareholders' funds		**941,016**	941,014

The financial statements of CKI Number 2 Limited, registered number 7282841, were approved by the Board of Directors and authorised for issue on 21 September 2020. They were signed on its behalf by:

Basil Scarsella
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2018	192,000	748,872	142	941,014
Profit for the year	-	-	91,833	91,833
Total comprehensive income	-	-	91,833	91,833
Dividends	-	-	(91,833)	(91,833)
At 31 March 2019	192,000	748,872	142	941,014

	Called up share capital £ 000	**Share premium account £ 000**	**Profit and loss account £ 000**	**Total £ 000**
At 1 April 2019	**192,000**	**748,872**	**142**	**941,014**
Profit for the year	**-**	**-**	**117,402**	**117,402**
Total comprehensive income	**-**	**-**	**117,402**	**117,402**
Dividends	**-**	**-**	**(117,400)**	**(117,400)**
At 31 March 2020	**192,000**	**748,872**	**144**	**941,016**

The notes on pages 12 to 17 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 page 2.

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. They have all been applied consistently throughout the current and prior year.

Basis of accounting
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 (FRC).

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 (UK Power Networks 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 taken the exemption not to present a cash flow statement and not to disclose related party transactions with other wholly owned members of the Group.

Going concern
The ongoing COVID-19 pandemic and related disruption is not expected to have a material effect on the Company's financial position and prospects. The Company's forecasts and projections, taking into account reasonably possible changes in trading performance including having considered the impacts of COVID-19, show that the Company has adequate resources to meet its obligations as they fall due in the twelve month period following the approval of these financial statements and to continue operating for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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.

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
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 £3,400 (2019: £2,600) in respect of audit services and £Nil (2019: £Nil) in respect of non-audit services. Auditor's remuneration was borne in both years by another group company.

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 or prior year.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

6 Income from fixed asset investments

	2020 £ 000	2019 £ 000
Income from associates		
1% cumulative preference dividends receivable from associate	**802**	800
Equity preference share dividends receivable from associate	**3,950**	2,967
	4,752	3,767
Ordinary dividends receivable from subsidiaries	**112,650**	88,066
	117,402	91,833

7 Taxation

The tax charge in the current and prior year was £nil and reconciles to the standard rate of 19% (2019: 19%) applied to profit before tax, as follows:

	2020 £ 000	2019 £ 000
Profit before tax	**117,402**	91,833
Corporation tax at standard rate	**22,306**	17,448
Expenses not deductible for tax purposes	**(22,306)**	(17,448)
Total tax charge/(credit)	**-**	-

The Finance Act 2016 enacted a reduction in the UK Corporation tax rate from 19% to 17% with effect from 1 April 2020. However, within Finance Bill 2020 published on 19 March 2020, the rate from 1 April 2020 has now been enacted to remain at 19% rather than reducing it to 17%.

The current tax rate applied during the year was 19% (2019: 19%) based on the standard rate of corporation tax substantively enacted at the reporting date.

8 Fixed asset investments

	2020 £ 000	2019 £ 000
Investments in subsidiaries and associates	**940,872**	940,872

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

8 Fixed asset investments (continued)

The Company has investments in the following subsidiaries and associates:

Subsidiaries	**Principal activity**	**%**
CKI Number 1 Ltd	Investment holding	100%

Associates	**Principal activity**	**%**
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 2020

8 Fixed asset investments (continued)

The associate UK Power Networks Insurance Ltd is registered at:

Willis Management (Guernsey) Ltd
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

	2020 £ 000	2019 £ 000
Amounts falling due within one year:		
Preference share dividends receivable from associate	**144**	142
	144	142

10 Called up share capital and reserves

Share capital: Allotted, called up and fully paid	2020 £ 000	2019 £ 000
19,200,000,002 ordinary shares of £0.01 each	**192,000**	192,000

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.

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 current or prior year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

12 Subsequent events

On 23 March 2020 the UK Government declared a national lockdown due to the uncontrolled and rapid spread of the COVID-19 virus. The pandemic has continued to have a detrimental impact on the UK economy in the period from the reporting date at 31 March 2020 to the date of authorisation of these financial statements on 21 September 2020, and there is uncertainty in predicting the extent and duration of the effects of COVID-19 in the months ahead. The financial statements for the year ended 31 March 2020 have not been adjusted to reflect any post balance sheet impact of the pandemic which is considered to be a non-adjusting subsequent event. The Directors' current assessment, as disclosed in the Going Concern statement on page 3, is that the pandemic is a temporary disruption and is not expected to have a material effect on the financial position and prospects of the Company.

13 Parent and ultimate parent undertaking

The Company's immediate parent is CKI Number 3 Limited, incorporated in the United Kingdom and registered in England and Wales 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.

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.