

Registered number: 07618348

LONDON GATEWAY PORT HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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LONDON GATEWAY PORT HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS

I B Malcolm
S M Qureshi
G R Jayaraman (resigned 16 April 2018)
F C Lewis
R A H A Al Qahtani (appointed 16 April 2018)

COMPANY SECRETARY

M Al Hashimy

REGISTERED NUMBER

07618348

REGISTERED OFFICE

16 Palace Street
London
SW1E 5JQ

INDEPENDENT AUDITOR

KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

LONDON GATEWAY PORT HOLDINGS LIMITED

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LONDON GATEWAY PORT HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

The principal activity of London Gateway Port Holdings Limited (the Company) is to act as a holding company for its subsidiary London Gateway Port Limited. London Gateway Port Limited is a purpose built, freehold owned, container port located next to one of the largest distribution parks in Europe, which further enhances its cargo potential. It commenced operations in November 2013.

BUSINESS REVIEW

Since London Gateway Port Holdings Limited is the immediate parent company of London Gateway Port Limited, the directors of both companies consider that the principal risks and uncertainties of the Company are consistent with those that the Port is exposed to.

The Port's throughput increased significantly during 2017, recording an annual volume of 953,152 TEU, a 35% increase on 2016.

During the year, eight new regular services were secured, adding to the 11 regular services already committed at the Port, further consolidating London Gateway's position as the predominant UK port for North-South services. In addition to three new North-South Services added, London Gateway also attracted 5 strings of the Alliance Service, 3 Trans-Atlantic and 2 Far East from Felixstowe.

London Gateway also handled over 55 ad-hoc (unscheduled) calls, of which 6 were ULCS on the Asia-Europe trade.

The third container berth was officially opened in April 2017 in time for the first call of the Alliance vessels Mid-April. Post year end, the adjacent London Gateway Logistics Park signed a lease for 25 years on another build to suit refrigerated facility of 105,155 sq. ft. for CMA-CGM. CMA are a major shipping line for the Port and this development in the Park cements LG's position in the chilled goods supply chain and demonstrates the strong market position that London Gateway Port has now established.

London Gateway is now a proven, established and significant container terminal and is the third largest by volume in the U.K. The continued development of infrastructure in the London Gateway Port and adjacent Logistics Park, combined with its proximity and cost advantages in servicing the UK's main population centres, will ultimately ensure that the Port is a success.

LONDON GATEWAY PORT HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

PRINCIPAL RISKS AND UNCERTAINTIES

Commercial inertia and the poor state of the shipping line industry remain the principal risks for London Gateway, particularly as it seeks to grow market share in a relatively mature market.

Whilst the Port has now proven its operating capability, the shipping lines operate their large trades under formal alliance structures, meaning that decision making is slow and there is a resistance to change. This dynamic creates inertia in winning sizeable new volume. Furthermore, the global shipping line industry is characterised by over-capacity, sustained low freight rates and, consequently, a period of operating losses for most of the major lines.

A further inevitable consequence of the state of the liner shipping market is consolidation, whereby smaller lines are being acquired as the increasingly dominant participants seek scale and increased market share. This has been seen recently with two of London Gateway's customers, Maersk and the takeover of Hamburg Sud. A consequence of this industry consolidation is the deployment of larger vessels to achieve economies of scale and pressure on handling rates as larger customers desire larger discount for higher volumes.

Looking ahead, the impact and consequences of Brexit remain uncertain. The U.K. economy has proved resilient during 2017, but there are some developing signs of weakening consumption demand. Since the U.K. container volumes are import led, this remains an ongoing risk for London Gateway.

FINANCIAL KEY PERFORMANCE INDICATORS

Since London Gateway Port Holdings Limited is the immediate parent company of London Gateway Port Limited, the directors of both companies consider that the key performance indicators are consistent with those of London Gateway Port Limited. The financial performance indicators which are used for London Gateway Port Limited are working capital ratios and capital commitments. Average trade debtor days in 2017 are 52 days, which is a small decrease on prior year (53 days) but still exceeds standard credit terms. The situation is expected to improve in 2018, but further measures are in place to improve trade debtor collection, including closer liaison between finance, operations and commercial departments. Capital commitments are monitored on a monthly basis both internally and also with the aid of external independent consulting engineers on behalf of the external lenders.

LONDON GATEWAY PORT HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

OTHER KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPI's) are shared with all of management and are actively tracked with management objectives attached to these KPI's. Health and Safety is always of paramount importance to London Gateway where an excellent safety record continues on both the operational and construction sides despite the challenges of running the two together and introducing a new team to the demands of an operational terminal.

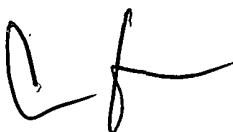
After working closely with the Environment Agency (EA), amongst many other regulatory bodies, the London Gateway Environment process has been deemed "best practice" by the EA and is being used as a model for other major infrastructure projects.

Ensuring a diverse workforce to better represent the overall demographic mix is a priority and London Gateway has achieved considerable success with an 18% female ratio, including female crane drivers. In an industry typified by older males this and the balanced age demographics is seen as a considerable success.

London Gateway has a strong commitment to the local community with over 80% of staff living within 20 miles of the Port. We work closely with the community to ensure wide engagement and offer opportunities for local residents and local interest groups to participate in site tours, which gives access to an otherwise closed area, helping ensure that they understand our business and its positive impact. We are developing long term strategies with local schools and colleges, including apprenticeships and work placement programmes to inspire students and make them aware of the employment opportunities at London Gateway. We also have a volunteering policy entitling all our employees to one day paid volunteering per year. Activities in 2017 have included mock interview days with local schools, delivering modules from the DP World Global Education Programme to local schools, helping Mind Recovery College develop a personal finance course, gardening with Little Havens Hospice, meadow management with Essex Wildlife Trust at their site overlooking London Gateway, beach cleans, pond and meadow management as well as constructing a viewing platform with our stakeholder RSPB at Stanford Wharf Nature Reserve.

This report was approved by the board on 21 June 2018 and signed on its behalf.

F C Lewis
Director



LONDON GATEWAY PORT HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £NIL (2016 - £129 thousand).

The directors have not recommended a dividend to be paid (2016 - £NIL).

DIRECTOR

The directors who served during the year were:

I B Malcolm
S M Qureshi
G R Jayaraman (resigned 16 April 2018)
F C Lewis

POLITICAL CONTRIBUTIONS

There were no political donations made during the year (2016 - £NIL).

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

All directors are entitled to contractual indemnification from the Company to the extent permitted by law against claims and legal expenses incurred in the course of their duties.

Such qualifying third party indemnity insurance is provided and remains in force as at the date of approving the Directors' Report.

FUTURE DEVELOPMENTS

As the current intention of the directors is to maintain the activity of the Company as a holding company for London Gateway Port, the directors consider that the relevant future developments of the Company are consistent with those associated with London Gateway Port.

London Gateway Port Limited enjoyed a positive start to 2018, with volumes showing strong year-on-year growth and improvements in the Port's productivity levels. A number of ancillary services have commenced operations in early 2018, including the new Solent Stevedores' empty container park; the first phase of the 12 acre HGV lorry Park; and the start of a twice-weekly international rail service between London Gateway and Duisburg, Germany. These developments, along with further progress in the adjacent logistics park, continue to position the Port as an established U.K. logistics hub.

LONDON GATEWAY PORT HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

EMPLOYEE INVOLVEMENT

London Gateway is proactive in seeking to involve and consult with its employees. Managers provide regular business performance updates, typically on a monthly basis, along with a half year and full year briefing which gives employees an insight in to the commercial, operational and financial performance of London Gateway. Additionally, the Company runs an employee engagement survey, "My World" on a biannual basis where employees are actively encouraged to provide anonymous feedback on a range of employee issues relating to their working environment and the leadership culture. Importantly, this employee feedback is then benchmarked against high performing companies and specific action plans implemented with progress monitored and regularly communicated to employees.

London Gateway has an employee information and consultation committee who meet on a monthly basis to discuss potential changes in employment terms, commercial activity and any other items that are likely to have an impact on our employees. The employee representatives are elected by the employees and cover the whole of London Gateway. As from the second quarter of 2017, this committee was replaced with a Works Council, whose terms of reference remain essentially the same.

On a more day to day basis, employee engagement and information sharing is encouraged through the use of intranets and a London Gateway Facebook group, which has over 200 users and where employees can share information across departments and become involved in the numerous corporate responsibility initiatives that the Company participates in.

DISABLED EMPLOYEES

London Gateway understands that innovation emerges from diversity and have been awarded the two tick symbol as a result of our commitment to employing people with disabilities. The facilities at London Gateway have been designed with disability in mind, allowing full wheelchair access to all areas. Our vacancies are advertised with The Poppy Factory and ex-forces recruitment channels to encourage applicants with special needs. London Gateway continues to drive diversity and inclusion to reflect our multiple stakeholders.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

LONDON GATEWAY PORT HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITOR

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

This report was approved by the board on 21 June 2018 and signed on its behalf.

F C Lewis
Director

A handwritten signature in black ink, consisting of a stylized 'F' and 'L' joined together, with a horizontal line extending to the right.

LONDON GATEWAY PORT HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

LONDON GATEWAY PORT HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON GATEWAY PORT HOLDINGS LIMITED

OPINION

We have audited the financial statements of London Gateway Port Holdings Limited (the 'Company') for the year ended 31 December 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, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

OTHER INFORMATION

The directors are responsible for the other information, which comprises the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

LONDON GATEWAY PORT HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON GATEWAY PORT HOLDINGS LIMITED (CONTINUED)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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 our opinion in an Auditor's Report. Reasonable assurance is a high level of assurance, but does 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 the financial statements.

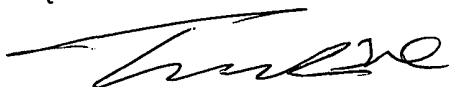
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

LONDON GATEWAY PORT HOLDINGS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON GATEWAY PORT HOLDINGS
LIMITED (CONTINUED)**

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.



Tom Eve (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
E14 5GL

21 June 2018

LONDON GATEWAY PORT HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Interest receivable	6	-	372
Profit on ordinary activities before taxation		-	372
Tax credit/(charge) for the financial year	7	-	(243)
Profit for the financial year		-	129

The Company has not traded during the year. During this period, the Company received no income and incurred no expenditure and therefore made neither profit or loss.

LONDON GATEWAY PORT HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Profit for the financial year		-	129
Total comprehensive income for the year		<u>-</u>	<u>129</u>

The notes on pages 15 to 27 form part of these financial statements.

LONDON GATEWAY PORT HOLDINGS LIMITED
REGISTERED NUMBER:07618348

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments	8	25,000	25,000
Current assets			
Debtors: amounts falling due within one year	9	634,677	589,677
		<u>634,677</u>	<u>589,677</u>
Creditors: amounts falling due within one year	10	(634,305)	(589,305)
		<u>372</u>	<u>372</u>
Net current assets		<u>372</u>	<u>372</u>
Total assets less current liabilities		<u>25,372</u>	<u>25,372</u>
Net assets		<u>25,372</u>	<u>25,372</u>
Capital and reserves			
Called up share capital	12	25,000	25,000
Profit and loss account		372	372
		<u>25,372</u>	<u>25,372</u>
Shareholders' funds		<u>25,372</u>	<u>25,372</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2018.

F C Lewis
Director



I B Malcolm
Director



The notes on pages 15 to 27 form part of these financial statements.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2017	25,000	372	25,372
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2017	<u><u>25,000</u></u>	<u><u>372</u></u>	<u><u>25,372</u></u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2016	25,000	243	25,243
Profit for the year	-	129	129
Total comprehensive income for the year	<u>-</u>	<u>129</u>	<u>129</u>
At 31 December 2016	<u><u>25,000</u></u>	<u><u>372</u></u>	<u><u>25,372</u></u>

The notes on pages 15 to 27 form part of these financial statements.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

London Gateway Port Holdings Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given within Company information. The nature of the company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

1.2 Financial reporting standard 101 - reduced disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The smallest group of companies for which the consolidated financial statements are prepared and in which the Company is consolidated is The Peninsular and Oriental Steam Navigation Company, a company incorporated by Royal Charter and therefore not registered. Copies of whose accounts can be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Going concern

The financial statements are prepared on a going concern basis. In preparing the financial statements on this basis the Directors have taken account of the guarantee provided by its intermediate parent company DP World Limited and have concluded that they have a reasonable expectation that the company has adequate resources to continue as a going concern for the foreseeable future, notwithstanding any potential obligations and the below detailed facilities. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

On 9 March 2016 a group of lenders agreed a 30-year term debt investment forming part of a £580m secured financing transaction that replaces the original loan provided in 2011 to London Gateway Port Limited. The replacement lender group consisted of Legal & General Retirement, the Pension Protection Fund, MEAG Munich Euro and the German Doctors Pension Fund providing facilities of £250m, £150m, £110m and £70m respectively. The funds were applied to refinance the prior project finance loan and help to finance the Port's third berth, resulting in a significant expansion of its handling capacity. In addition, a separate £70m Berth Three Facility, provided by KfW-IPEX bank, was made available in July 2016, with subsequent draw-downs on this facility bringing the Company's external borrowings to £650m by the year-end. The Berth Three Facility has a 20 year term, with repayment scheduled to commence from 2022.

Under the terms of the refinancing of London Gateway Port Limited, repayments start in 2026 and covenants are based on debt service and loan life coverage and are measured semi-annually. If necessary London Gateway Port Limited is able to call on an equity subscription deed which provides London Gateway Port Limited with a £200m facility that allows London Gateway Port to draw down on additional funds for specified revenue, cashflow and volume shortfall criteria over a rolling 12 month period to achieve covenant compliance. In addition to this shortfall facility, London Gateway Port Limited is also able to draw upon further support from London Gateway Holdings Limited; this revenue shortfall facility can be utilised if certain minimum volume guarantees are not met.

In the cases of the revenue shortfall facility and the equity subscription deed, the obligations of London Gateway Port Holdings Limited have been guaranteed by DP World Limited, an intermediate parent company.

The Directors recognise that there are a number of risks attached to these projections including the general economic climate and inherent risks that exist in signing up shipping lines.

After considering the financial projections, the financing facilities and their covenants the Directors have concluded that they have a reasonable expectation that the Port has adequate resources to continue as a going concern for the foreseeable future, notwithstanding any potential obligations and the above detailed facilities. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Impairment of fixed assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro-rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or group of assets.

Calculation of recoverable amounts

The recoverable amounts of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets if subsequent external events reverse the effect of the original event which caused the recognition of the impairment. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.5 Valuation of investments

Investments in subsidiaries are measured at cost less provision for impairment.

1.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Financial Instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the balance sheet at fair value with changes in fair value recognised in the profit and loss account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the profit and loss account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the balance sheet.

1.8 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

1.10 Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

1.11 Taxation

Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted, however the Company has not early adopted the new or amended standards in preparing these financial statements.

The Company is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018, and IFRS 16 Leases from 1 January 2019.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising, classifying and measuring financial assets and financial liabilities and introduces a new expected credit loss model. The new guidance has also substantially reformed the existing hedge accounting rules. It provides a more principles-based approach that aligns hedge accounting closely with risk management policies. The adoption of IFRS 9 is not expected to affect the classification and measurement of the Company's financial instruments, as no hedging relationships are currently in place. Management has assessed that the effects of change from the incurred loss model to the expected credit loss model is considered immaterial as the Company's debtors consist solely of accounts receivable from London Gateway Port Limited, which management considers to have low credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard provides a single principles-based five-step model to be applied to all contracts with customers. The Company is a holding company and has no revenue and will therefore not be impacted by IFRS 15.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating lease incentives and SIC-27 Evaluating the substance of transaction involving the legal form of lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-to-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Company currently does not hold any leases as it is a holding company and management does not expect any impact upon the adoption of IFRS 16.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

**2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

The directors have considered the recoverability of the loan with London Gateway Port Limited and are satisfied that both the freehold nature of this asset; the trading position and outlook; and the financial position of the ultimate guarantor will, together, continue to support the operating cash flows and therefore ensure recoverability of the loan.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

3. AUDITOR'S REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017 £000	2016 £000
Fees for the audit of the company	<u>6</u>	<u>6</u>

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company. The amount receivable by the company's auditor in respect of the financial statements has been borne by London Gateway Port Limited, a related entity of the company.

4. EMPLOYEES

The Company has no employees other than the directors (2016 - Nil).

5. DIRECTORS' REMUNERATION

	2017 £000	2016 £000
Directors' emoluments	453	423
Company contributions to money purchase pension schemes	48	57
	<u>501</u>	<u>480</u>

The highest paid director received remuneration of £327k (2016 - £177k).

Directors' remuneration does not include salary payments made to non-executive directors remunerated elsewhere in the DP World Group, since any qualifying services in respect of the Company are considered to be incidental and part of these directors' overall management responsibilities within DP World.

6. INTEREST RECEIVABLE

	2017 £000	2016 £000
Interest receivable from group companies	<u>-</u>	<u>372</u>

LONDON GATEWAY PORT HOLDINGS LIMITED

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

7. TAXATION

	2017 £000	2016 £000
CORPORATION TAX		
Adjustments in respect of previous periods	-	243
TOTAL CURRENT TAX CHARGE	<u>-</u>	<u>243</u>

FACTORS AFFECTING TAX CHARGE/(CREDIT) FOR THE YEAR

The tax assessed for the year is the same as *(2016 - higher than)* the standard rate of corporation tax applicable for the period in the UK of 19.25% *(2016 - 20.00%)*. The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	-	372
Profit on ordinary activities multiplied by the applicable standard rate of corporation tax in the UK of 19.25% <i>(2016 - 20.00%)</i>	-	74

EFFECTS OF:

Adjustments to tax charge in respect of prior periods	-	243
Group relief surrendered	-	196
Transfer pricing adjustments	-	(270)
TOTAL TAX CHARGE FOR THE YEAR	<u>-</u>	<u>243</u>

LONDON GATEWAY PORT HOLDINGS LIMITED

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

7. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The UK Finance Bill 2016 includes a reduction of the UK corporation tax rate to 17% on 1 April 2020. The rate changes will impact the amount of future tax recognised by the company. However it does not have any effect on the current year results.

UNRECOGNISED DEFERRED TAX

No deductible or taxable differences arose during the course of the year, thus no deferred tax assets or deferred tax liabilities have been recognised.

8. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
COST OR VALUATION	
At 1 January 2017	25,000
At 31 December 2017	<u>25,000</u>
NET BOOK VALUE	
At 31 December 2017	<u>25,000</u>
At 31 December 2016	<u>25,000</u>

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
London Gateway Port Limited	United Kingdom	Ordinary	100%	Port Operator

LONDON GATEWAY PORT HOLDINGS LIMITED

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

9. DEBTORS

	2017 £000	2016 £000
DEBTORS: Amounts falling due within one year		
Amounts owed by group undertakings	634,677	589,677
	<u>634,677</u>	<u>589,677</u>

The amounts owed by group undertakings comprises of a loan which has been granted to London Gateway Port Limited to fund the construction of the Port. These intra-group loans are currently non-interest bearing. Loan repayments on the intra-group loans are repayable on demand.

10. CREDITORS: Amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	634,305	589,305
	<u>634,305</u>	<u>589,305</u>

The amounts owed to group undertakings comprises of loans which have been granted by The Peninsular and Oriental Steam Navigation Company and represent borrowings sourced to fund the construction of the Port. These intra-group loans are currently non-interest bearing. Loan repayments on the intra-group loans are repayable on demand.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

11. FINANCIAL INSTRUMENTS

	2017	2016
	£000	£000
FINANCIAL ASSETS		
Financial assets that are debt instruments measured at amortised cost	634,677	589,677
	<u> </u>	<u> </u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(634,305)	(589,305)
	<u> </u>	<u> </u>

Financial assets measured at amortised cost comprise amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise amounts owed to group undertakings.

12. CALLED UP SHARE CAPITAL

	2017	2016
	£000	£000
Allotted, called up and fully paid		
25,000,101 Ordinary shares of £1 each	25,000	25,000
	<u> </u>	<u> </u>

13. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption from disclosing transactions with entities which are wholly owned by the Group.

14. POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

LONDON GATEWAY PORT HOLDINGS LIMITED

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

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The smallest group of companies for which consolidated financial statements are prepared and in which the company is consolidated is The Peninsular and Oriental Steam Navigation Company, a company incorporated by Royal Charter and therefore not registered, copies of whose accounts can be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

The largest group of companies for which consolidated financial statements are prepared and which are publicly available, and in which the Company is consolidated is DP World Limited, a company limited by shares incorporated in Dubai, whose accounts are filed with the Dubai International Financial Centre and where 19.55% of its shares are traded on the NASDAQ Dubai.

The immediate parent undertaking at 31 December 2017 was the Peninsular and Oriental Steam Navigation Company, whose registered office is 16 Palace Street, London, SW1E 5JQ, United Kingdom.

In the opinion of the directors, the ultimate controlling parent undertaking as at 31 December 2017 was Port & Free Zone World FZE, which owns 80.45% of DP World Limited. Port & Free Zone World FZE is a wholly owned subsidiary of Dubai World Corporation, which is the ultimate parent company of the Company, but which does not exert control over the Company. Both Port and Free Zone World FZE and Dubai World Corporation have their registered offices at Jebel Ali Free Zone, P.O. Box 17000, Dubai, United Arab Emirates.

16. RELATED UNDERTAKINGS

The following were related undertakings of the Company:

Name	Registered office	Class of share	Holding
London Gateway Port Limited	16 Palace Street, London, SW1E 5JQ, United Kingdom	Ordinary	100%
London Gateway Port Railway Limited	16 Palace Street, London SW1E 5JQ, United Kingdom	Ordinary	100%