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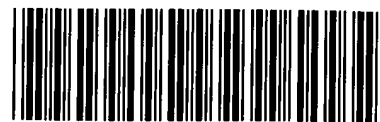
**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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|                            |   |
|----------------------------|---|
| <b>DIRECTORS</b>           | I B Malcolm (resigned 6 December 2018)<br>S M Qureshi<br>G R Jayaraman (resigned 16 April 2018)<br>F C Lewis<br>R A H A Al Qahtani (appointed 16 April 2018)<br>M D Budhdev (appointed 6 December 2018)<br>A Shaoul (appointed 30 May 2019) |
| <b>COMPANY SECRETARY</b>   | M Al Hashimy  |
| <b>REGISTERED NUMBER</b>   | 07618348  |
| <b>REGISTERED OFFICE</b>   | 16 Palace Street<br>London<br>SW1E 5JQ  |
| <b>INDEPENDENT AUDITOR</b> | KPMG LLP<br>Chartered Accountants<br>15 Canada Square<br>Canary Wharf<br>London<br>E14 5GL  |

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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## **LONDON GATEWAY PORT HOLDINGS LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **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 2018, recording an annual volume of 1,319,801 TEU, a 38% increase on 2017.

During the year, four new regular services were secured, adding to the 19 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 two new North-South Services added, London Gateway also attracted another string of the Alliance Service, 1 Trans-Atlantic and 1 Far East from Felixstowe.

London Gateway also handled a large number of ad-hoc (unscheduled) calls, of which 16 were Asia-Europe trades - ULCS.

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.

#### **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.

Looking ahead, the impact and consequences of Brexit remain uncertain. The U.K. economy has proved resilient during 2018 possibly as a result of stockpiling due to Brexit uncertainty, but there are signs of weakening consumption demand. Since the U.K. container volumes are import led, this remains an ongoing risk for London Gateway.

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## LONDON GATEWAY PORT HOLDINGS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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#### FINANCIAL KEY PERFORMANCE INDICATORS

Since London Gateway Port Holdings Limited is the immediate parent company of London Gateway Port Limited, and this represents both the only investment of the Company and its principle debtor, 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 2018 are 47 days, which is decrease on prior year (52 days) but still exceeds standard credit terms. The situation is expected to improve further in 2019, 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.

#### 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 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 2018 included mock interview days with local schools, helping the trainees at The Salvation Army, Hadleigh Farm Training centre to develop new skills, beach cleans in close proximity to the Port, meadow management with Essex Wildlife Trust and RSPB. Career Ready have also helped our employees deliver modules from the DP World Global Education Programme to local schools. They are a key charity who help prepare pupils for the world of work. Our Princes Trust Get-into-Logistics programme continues to be a success, aimed at young people from the local community who are not in employment, education or training (NEET). The 4 week course provides vital skills such as conflict management, manual handling and first aid qualifications, mock interview skills as well as boosting their confidence. This is followed by two weeks of placement with a local logistics employer, mainly one of our tenants, with an opportunity to apply for a job with them at the end of the placement. Our seafarers centre was refurbished in 2018 to make it more amenable and relaxing for the seafarers. Our funding also enables a shuttle bus to run them to the larger local Tilbury seafarers centre. In 2018 this resulted in 625 seafarers enabling to use their facilities.

London Gateway are also looking at removing and reducing single use plastics in which we are directly in control of. This is part of a group wide Oceans Together commitment. The ocean brings value to our business, partners and the communities in which we operate. We are therefore taking a leading role in reducing plastic pollution. We have removed all single use plastic water cups from site, provided staff with reusable aluminium water bottles saving 48,000 plastic cups a year. We have also engaged with our suppliers to see what we can do with them. 21 have no confirmed they are single use plastic free suppliers to us and a further 40 are looking at ways of minimising what they do use or influencing their own supply chains.

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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This report was approved by the board on 24 June 2019 and signed on its behalf.



**F C Lewis**  
Director

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## **LONDON GATEWAY PORT HOLDINGS LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **DIRECTORS' REPORT**

The directors present their report and the financial statements for the year ended 31 December 2018.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £NIL (2017 - £NIL).

The directors have not recommended a dividend to be paid (2017 - £NIL).

#### **DIRECTOR**

The directors who served during the year were:

I B Malcolm (resigned 6 December 2018)  
S M Qureshi  
G R Jayaraman (resigned 16 April 2018)  
F C Lewis  
R A H A Al Qahtani (appointed 16 April 2018)  
M D Budhdev (appointed 6 December 2018)

#### **POLITICAL CONTRIBUTIONS**

There were no political donations made during the year (2017 - £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 2019, with volumes showing strong year-on-year growth and improvements in the Port's productivity levels. A further two services have started to call at the Port in 2019 and this along with further developments at the adjacent logistics park continue to position the Port as an established U.K. logistics hub.

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## **LONDON GATEWAY PORT HOLDINGS LIMITED**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **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 220 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.



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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**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 24 June 2019 and signed on its behalf.



**F C Lewis**  
Director

16 Palace Street  
London  
SW1E 5JQ

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE  
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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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;
- 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 to 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.

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## **LONDON GATEWAY PORT HOLDINGS LIMITED**

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

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#### **OPINION**

We have audited the financial statements of London Gateway Port Holdings Limited (the 'Company') for the year ended 31 December 2018, which comprise the profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and 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 2018 and of its result 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.

#### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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## LONDON GATEWAY PORT HOLDINGS LIMITED

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

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#### GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

#### 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.

We have nothing to report in this regard.

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

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

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## **LONDON GATEWAY PORT HOLDINGS LIMITED**

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

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#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

We have nothing to report in respect of the following matters in relation to which 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.

#### **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 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 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/auditresponsibilities](http://www.frc.org.uk/auditresponsibilities).

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

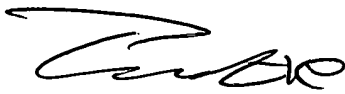
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON GATEWAY PORT HOLDINGS  
LIMITED (CONTINUED)**

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**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  
London  
E14 5GL

24 June 2019

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Company has not traded during the year or the preceding financial year. During these periods, the Company received no income and incurred no expenditure and therefore made neither profit or loss.

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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|  | <b>Note</b> | <b>2018<br/>£000</b> | <b>2017<br/>£000</b> |
|--|-------------|----------------------|----------------------|
|  |             | <hr/>                | <hr/>                |
| <b>Total comprehensive income for the year</b> |             | <hr/> <b>-</b> <hr/> | <hr/> <b>-</b> <hr/> |

The notes on pages 16 to 25 form part of these financial statements.



**LONDON GATEWAY PORT HOLDINGS LIMITED**  
**REGISTERED NUMBER:07618348**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

|  | Note | 2018<br>£000   | 2017<br>£000   |
|--|------|----------------|----------------|
| <b>Fixed assets</b>                            |      |                |                |
| Investments                                    | 5    | 25,000         | 25,000         |
| <b>Current assets</b>                          |      |                |                |
| Debtors: amounts falling due within one year   | 6    | 642,677        | 634,677        |
|  |      | <u>642,677</u> | <u>634,677</u> |
| Creditors: amounts falling due within one year | 7    | (642,305)      | (634,305)      |
|  |      | <u>372</u>     | <u>372</u>     |
| <b>Net current assets</b>                      |      |                |                |
|  |      | <u>372</u>     | <u>372</u>     |
| <b>Total assets less current liabilities</b>   |      | <u>25,372</u>  | <u>25,372</u>  |
| <b>Net assets</b>                              |      | <u>25,372</u>  | <u>25,372</u>  |
| <b>Capital and reserves</b>                    |      |                |                |
| Called up share capital                        | 9    | 25,000         | 25,000         |
| Profit and loss account                        |      | 372            | 372            |
|  |      | <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 24 June 2019.

  
**F C Lewis**  
 Director

  
**A Shaoul**  
 Director

The notes on pages 16 to 25 form part of these financial statements.

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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|   | Share<br>capital<br>£000 | Profit and<br>loss account<br>£000 | Total equity<br>£000 |
|---|--------------------------|------------------------------------|----------------------|
| At 1 January 2018                       | 25,000                   | 372                                | 25,372               |
| Other comprehensive income for the year | -                        | -                                  | -                    |
| Total comprehensive income for the year | -                        | -                                  | -                    |
| At 31 December 2018                     | 25,000                   | 372                                | 25,372               |

The notes on pages 16 to 25 form part of these financial statements.

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

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

The notes on pages 16 to 25 form part of these financial statements.

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## **LONDON GATEWAY PORT HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **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.

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## LONDON GATEWAY PORT HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 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.

##### Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which London Gateway Port Ltd expects to be entitled in exchange for those goods or services.

The Port's revenue mainly consists of port related services (containerised stevedoring, break bulk and general cargo), service concession revenue, lease rentals, drydocking and logistic services revenue.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Port

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## **LONDON GATEWAY PORT HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **1.3 Going Concern (continued)**

and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

i. Rendering of port related services

Revenue from providing containerised stevedoring, other containerised services and non-containerised services is recognised at the point in time when the services are rendered to the customer. However, storage revenue is recognised over a period of time.

ii. Service concession arrangements (IFRIC 12)

Revenues relating to construction contracts which are entered into with government authorities for the construction of the infrastructure necessary for the provision of services are measured at the fair value of the consideration received or receivable. Revenue from service concession arrangements is recognised based on the fair value of construction work performed at the reporting date. The Port recognises revenue and costs relating to construction services over a period of time by reference to the stage of completion of the contract using the input method.

The Company has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018, refer note 1.5 for the impact of these standards.

##### **1.4 Impact of new international reporting standards, amendments and interpretations**

###### **IFRS 9**

Since the company does not have any operations and therefore no revenue there have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 01 January 2018.

###### **IFRS 15**

From 01 January 2018, the Company has applied IFRS 15 retrospectively, using the following practical expedient:

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## LONDON GATEWAY PORT HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.5 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.

##### 1.6 Valuation of investments

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

##### 1.7 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.

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## LONDON GATEWAY PORT HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.8 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.

##### 1.9 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.

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## LONDON GATEWAY PORT HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.10 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.

##### 1.11 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 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 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.

#### 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.



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## LONDON GATEWAY PORT HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 3. AUDITOR'S REMUNERATION

The company paid the following amounts to its auditor's in respect of the audit of the financial statements and for services provided to the Company

|                                   | 2018<br>£000 | 2017<br>£000 |
|-----------------------------------|--------------|--------------|
| Fees for the audit of the company | 6            | 6            |
|                                   | <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, who did not receive any remuneration (2017 - £NIL)

#### 5. FIXED ASSET INVESTMENTS

|                          | Investments<br>in<br>subsidiary<br>companies<br>£000 |
|--------------------------|--|
| <b>COST OR VALUATION</b> |  |
| At 1 January 2018        | 25,000   |
| At 31 December 2018      | <u>25,000</u>  |

#### SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

| Name                        | Country of<br>incorporation | Class of<br>shares | Holding | Principal<br>activity |
|-----------------------------|-----------------------------|--------------------|---------|-----------------------|
| London Gateway Port Limited | United Kingdom              | Ordinary           | 100%    | Port Operator         |

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**6. DEBTORS: Amounts falling within one year**

|                                    | <b>2018</b>           | <i>2017</i>           |
|------------------------------------|-----------------------|-----------------------|
|                                    | <b>£000</b>           | <i>£000</i>           |
| Amounts owed by group undertakings | <b>642,677</b>        | <i>634,677</i>        |
|                                    | <u><b>642,677</b></u> | <u><i>634,677</i></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.

**7. CREDITORS: Amounts falling due within one year**

|                                    | <b>2018</b>           | <i>2017</i>           |
|------------------------------------|-----------------------|-----------------------|
|                                    | <b>£000</b>           | <i>£000</i>           |
| Amounts owed to group undertakings | <b>642,305</b>        | <i>634,305</i>        |
|                                    | <u><b>642,305</b></u> | <u><i>634,305</i></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.

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**LONDON GATEWAY PORT HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**8. FINANCIAL INSTRUMENTS**

|   | <b>2018</b>             | <i>2017</i>             |
|---|-------------------------|-------------------------|
|   | <b>£000</b>             | <i>£000</i>             |
| <b>FINANCIAL ASSETS</b>   |                         |                         |
| Financial assets that are debt instruments measured at amortised cost | <b>642,677</b>          | <i>634,677</i>          |
|   | <u><b>642,677</b></u>   | <u><i>634,677</i></u>   |
| <b>FINANCIAL LIABILITIES</b>  |                         |                         |
| Financial liabilities measured at amortised cost                      | <b>(642,305)</b>        | <i>(634,305)</i>        |
|   | <u><b>(642,305)</b></u> | <u><i>(634,305)</i></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.

**9. CALLED UP SHARE CAPITAL**

|  | <b>2018</b>          | <i>2017</i>          |
|--|----------------------|----------------------|
|  | <b>£000</b>          | <i>£000</i>          |
| <b>Allotted, called up and fully paid</b>                    |                      |                      |
| 25,000,101 (2017 - 25,000,101) Ordinary shares of £1.00 each | <b>25,000</b>        | <i>25,000</i>        |
|  | <u><b>25,000</b></u> | <u><i>25,000</i></u> |

**10. RELATED PARTY TRANSACTIONS**

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

**11. POST BALANCE SHEET EVENTS**

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

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## LONDON GATEWAY PORT HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 12. 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 2018 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 2018 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.

#### 13. 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,<br>SW1E 5JQ, United Kingdom | Ordinary       | 100%    |
| London Gateway Port Railway Limited | 16 Palace Street, London<br>SW1E 5JQ, United Kingdom  | Ordinary       | 100%    |