

Registered number: 04341592

LONDON GATEWAY PORT LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



LONDON GATEWAY PORT LIMITED

COMPANY INFORMATION

DIRECTORS	N P Loader (resigned 11 July 2023) A Shaoul A Bowen (appointed 11 July 2023) E Schulze R B Woods R A H Abdulla M Rosenberg
COMPANY SECRETARY	Z El Chami (appointed 17 July 2023)
REGISTERED NUMBER	04341592
REGISTERED OFFICE	16 Palace Street London SW1E 5JQ
TRADING ADDRESS	No 1 London Gateway Stanford-le-Hope Essex SS17 9DY
INDEPENDENT AUDITOR	KPMG LLP Chartered Accountants 15 Canada Square Canary Wharf London E14 5GL

LONDON GATEWAY PORT LIMITED

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LONDON GATEWAY PORT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

INTRODUCTION

London Gateway Port Limited (the Company) is a purpose built, freehold owned, container port located next to the London Gateway Logistics Park, which will be one of the largest distribution parks in Europe once fully built out and which significantly enhances the Port's cargo potential. The port commenced operations in November 2013.

BUSINESS REVIEW

The Port's throughput during 2022 recorded an annual volume of 2,053,117 TEU, a 14% increase on the same period in 2021 because of the impact of strong volumes on existing trades and additional new services. The volume increase reflects that London Gateway has further established itself as a dependable business partner in the market and that shipping line confidence in the service delivery (both maritime and landside) is good.

London Gateway Port Limited now has over 27 scheduled weekly services calling at almost 100 direct destinations.

During the year London Gateway Port Limited also handled a number of ad-hoc (unscheduled) calls.

London Gateway Port Limited is now a proven, established and significant container terminal and is the second largest by volume in the UK. The continued development of infrastructure in the London Gateway Port Limited and adjacent Logistics Park, combined with its proximity and cost advantages in servicing the UK's main population centres, are driving new business to the port.

LONDON GATEWAY PORT LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

PRINCIPAL RISKS AND UNCERTAINTIES

Commercial inertia and the very concentrated nature of the container shipping line industry remain the principal risks for London Gateway Port Limited, 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 increasingly concentrated into seven global lines, while being characterised by over-capacity, sustained periods of low freight rates and, consequently, periods of operating losses for most of the major lines.

Up to the date of this report, the Coronavirus (COVID-19) pandemic has not had a material impact on the financial results of the Company. Any potential impact on our business from the COVID-19 pandemic is closely monitored. The situation could change at anytime and there can be no assurance that the pandemic will not have a material adverse impact on the future operations and the results of the Company.

On the 24th February 2022 Russia launched an invasion of the Ukraine. The impact of the war on London Gateway Port Limited's trade from a shipping perspective has been minimal as there are no Russian ships or shipping lines that call at the terminal and London Gateway Port Limited does not have any suppliers that will impact the business as a result of the war. This therefore has no negative results on London Gateway Port Limited or London Gateway Port Holdings Limited.

The war in the Ukraine has had an impact on UK inflation because of increased costs from fuel, electricity and labour prices. The impact on electricity prices has in part been mitigated by fixing the price for a year and by also adding some new charges for energy in the form of an energy adjustment mechanism to cover some of the increased costs. This was put into place in January 2022 as a result of increased fuel and energy costs prior to the war. This is expected to cover more than 50% of the increased costs. Other landside charges have been introduced to cover other cost increases such as the fuel duty recovery charge which will compensate for the removal of the red diesel subsidy.

London Gateway Port Limited holds derivative financial instruments such as interest rate swaps to hedge its cash flows exposed to risk of fluctuations interest rates.

Looking ahead, London Gateway Port Limited's results for the first six months of 2023 have been lower than Budget expectations as a result lower volumes and storage levels which have been soft over this period. Overall our expectation is that the 2023 budget is still achievable.

The impact and consequences of Brexit is likely to be minimal as most of London Gateway Port Limited's volume is derived from trade with non-EU countries.

FINANCIAL KEY PERFORMANCE INDICATORS

The financial performance indicators used are working capital ratios and capital commitments. Average trade debtor days in 2022 are 51 working days, which is an increase on prior year (49 working days) and exceeds standard credit terms. The situation is expected to remain similar in 2023. Measures have been put 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 LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 Port Limited where an excellent safety record continues both operationally and where construction is on-going.

Ensuring a diverse workforce to better represent the overall demographic mix is a priority and London Gateway Port Limited has achieved considerable success over the years. It continues to be a priority and actively promotes and strives for a more diverse and inclusive workforce in an industry which is typified by older males and the balanced age demographics is seen as a considerable success.

London Gateway Port Limited has a strong commitment to the local community with a vast amount of staff living within 20 miles of the Port. During non-COVID times we work closely with the community, engaging with and offering 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 to make them aware of the employment opportunities at London Gateway Port Limited. During non-COVID times, we also have a volunteering policy entitling all our employees to one day paid volunteering per year, with a range of volunteering activities organized by London Gateway Port Limited or the option for staff to select a cause that is important to them.

The 'Our World Our Future 2022-2030 sustainability strategy' has been approved by the London Gateway Sustainability Advisory Committee and aligns with the DP World group strategy. The strategy continues to be implemented at London Gateway.

We have funded partnership agreements with several organisations which are primarily focused on youth education, particularly in Science Technology Engineering and Maths ("STEM") related subjects and logistics and raising awareness and aspiration of the opportunities available. Following the success of the STEM ENTHUSE partnership, we have continued to work with our local primary and secondary school on a STEM transition project. This is aimed at supporting the transition of year 6 students from primary school into STEM subjects in year 7 at secondary school. The project consists of teacher training including a two-day residential course at the National STEM Learning Centre for 19 teachers and a summer camp for 20 students.

Our partnership with the Queen Victoria's Seamen's Rest has been renewed and a new, more appropriately located centre has been developed and opened.

We have provided funding toward a new initiative called the Spacious Place cafe, which is a community cafe, aimed at helping those in need. It is linked to Thurrock Foodbank, who have been a long-term partner of ours. The cafe provides a safe place for people to talk and be sign-posted to the services which can help them.

We also have a volunteering policy entitling all our employees to one day paid volunteering per year, with a range of volunteering activities organised by London Gateway Port Limited or the option for staff to select a cause that is important to them. We also have an employee donation and sponsorship policy to support employees with individual fundraising activities or team-based with which they are involved with.

DP World are aiming to be Carbon Neutral by 2040 and Net Zero by 2050. London Gateway Port Limited are implementing a 5 year carbon reduction action plan to support ongoing improvements and new fully electric port equipment is being purchased with associated infrastructure installed. Recent measures include the purchase of fully electric shuttle carriers for Berth 4 and the ongoing installation of Solar PV on the Port.

A single use plastic elimination plan has also been put together which identifies key sources of single use plastics within the business along with an action plan to remove them where it is more sustainable to do so. The passive debris collector which has been jointly developed by the Port of London Authority ("PLA") and London Gateway as part of our waste initiatives, was launched in April 2023. The aim is for it to collect litter within the River Thames to stop it getting washed out to sea.

LONDON GATEWAY PORT LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

London Gateway Port Limited is continuing efforts through the Oceans together Forum (which it established in partnership with local businesses, Local Members of Parliament and Thurrock Borough Council) to drive improvements in single use plastic reduction.

DIRECTORS' STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

The Directors of the Company must act in a way, as defined in section 172 of the Companies Act 2006. This requires Directors to act in way which would promote the success of the Company and consider the following matters:

- (a) the likely long-term consequences of decisions;
- (b) the need to foster the Company's business relationships with suppliers, customers and others;
- (c) the impact of the Company's operations on the community and the environment;
- (d) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (e) the need to act fairly
- (f) the interests of the company's employees

As part of their induction to the Company, a Director is made aware of their duties, by the Group Secretary.

The following paragraphs summarise how the Directors fulfil their duties:

Long-term decisions - The Directors systematically review and monitor a Company risk register with respect to regulatory, legislative, financial and political risk and act accordingly to mitigate any long-term risks. Details of the principal risks and uncertainties can be found within this report.

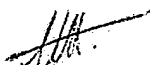
Business Relationships – The Company's strategy is to grow and develop business relationships. The Directors do this by maintaining strong relationships with both suppliers and customers.

Community and Environment – The operations of the Company may have impacts on the environment and the Directors consider this when making decisions including reviewing the cargo and chemicals that the Company handles prior to their arrival and take appropriate action and care when handling dangerous materials to prevent incidents before they happen.

Maintaining a reputation for high standards of business conduct and to act fairly - The Directors periodically consider changes in health and safety legislation, anti-bribery and modern slavery legislative within the Company.

Interests of the Company's employees - The Directors promote a safe working environment for our employees and operate a global health and wellbeing programme.

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



E Schulze
Director

Date: 10/08/2023

LONDON GATEWAY PORT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £43,580 thousand (2021 - £64,043 thousand).

The directors have not recommended or paid any dividend during the year (2021 - NIL).

DIRECTORS

The directors who served during the year were:

N P Loader (resigned 11 July 2023)
A Shaoul
E Schulze
R B Woods
R A H Abdulla
M Rosenberg

ENVIRONMENTAL MATTERS

In respect of compliance with the requirement to disclose a Streamline Energy and Carbon report, the parent company, The Peninsular and Oriental Steam Navigation Company has included London Gateway Port Limited within its report on pages 13 and 14 of its year ended 31 December 2022 annual report and accounts.

FUTURE DEVELOPMENTS

London Gateway Port Limited has had a slow start to 2023, with volumes showing a reduction over the 2022 numbers. Volumes are currently running 10.8% below 2022.

DP World Group board approval was given to proceed with construction of Berth 4 in November 2019. The initial civil tender process was completed in the first quarter of 2020. Expectations are that the construction of Berth 4 will be complete by Quarter 3 2024.

Volumes have been very strong since the pandemic and operationally the business has performed well. By the end of 2023 we believe that London Gateway will be operating at circa 1.8m TEU (on an annualised basis) and therefore the extra berth capacity will be required. The major construction and equipment contracts for the project have been awarded and it is expected that the delivery of the equipment will be completed by the end of 2024.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

ENGAGEMENT WITH EMPLOYEES

London Gateway Port Limited 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 Port Limited. 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.

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 a significant proportion of users and where employees can share information across departments and become involved in the numerous corporate responsibility initiatives that the Company participates in.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

Our customers includes all major shipping lines, freight forwarders and hauliers. We work closely with our customers to understand their evolving needs so we can improve and adapt to meet

We depend on the capability and performance of our suppliers, contractors and other partners to help deliver the products and services we need for our operations and our customers.

We consult with local people to gain valuable perspectives on the ways in which our activities could impact the local community or environment.

DISABLED EMPLOYEES

London Gateway Port Limited 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 Port Limited have been designed with disability in mind, allowing full wheelchair access to all areas. Our vacancies are advertised to promote opportunities for all and London Gateway Port Limited continues to strive and promote diversity and inclusion to reflect our multiple stakeholders and society.

LONDON GATEWAY PORT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

GOING CONCERN

Notwithstanding net current liabilities of £489,773,633 (2021: £514,034,266) and net liabilities of £105,928,550 (2021: £161,178,582) as at 31 December 2022 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company meets its day to day working capital requirements from operational cash flows, together with an external bank loan (see Note 23) and an intercompany loan from its immediate parent, London Gateway Port Holdings Limited (see Note 20).

The directors have prepared cash flow forecasts and performed a going concern assessment which indicates that, in both the base and reasonably possible downside, the company will have sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements, the going concern assessment period. This assessment is dependent on its intermediate parent company, DP World Limited, not seeking repayment of the amounts currently due to London Gateway Port Holdings Ltd, which at 31 December 2022 amounted to £628,076,913, and providing additional financial support during the going the concern assessment period.

The base case cash flow forecast prepared assumes 2023 and 2024 volumes, revenue and costs are in line with budgeted levels and generate an EBITDA of approximately £103m for 2023 and £111m for 2024, for both financial years in full. The reasonably possible downside scenario assumes that 2023 volumes would be down by 10% and inflation at 10% higher than the budget. The resulting EBITDA for 2023 would be approximately £77m for the full financial year. In the 2024 downside the volumes were reduced 5% and the inflation was set at 10% above the budget. The resulting EBITDA for 2024 was approximately £90m for the full financial year. The cash position under both the base case, and the downside scenario, for going concern assessment period to 31 December 2024 shows that there is sufficient cash to meet interest and loan repayments after ongoing operational costs are met. However, it is assumed that ongoing access to funding from London Gateway Port Holdings Limited continues to be provided for costs relating to the construction of Berth 4 at London Gateway Port Limited.

DP World Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts currently due to the group during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have prepared the financial statements on a going concern basis.

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 the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that 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 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

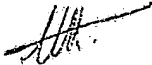
POST BALANCE SHEET EVENTS

The Company had Capital Commitments of £215,537,075 at 31 December 2022 in respect of committed costs for the construction and supply of equipment for Berth 4.

AUDITOR

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

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



E Schulze
Director

Date: 10/08/2023

16 Palace Street
London
SW1E 5JQ

LONDON GATEWAY PORT LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 to 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.

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

OPINION

We have audited the financial statements of London Gateway Port Limited ("the company") for the year ended 31 December 2022 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 2022 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

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

FRAUD AND BREACHES OF LAWS AND REGULATIONS - ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

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

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that the Company's management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and corruption, employment law and data protection. As the entity adheres to the Statutory Harbour Authority is required to comply with various regulations, including but not limited to, applicable Marine Management Organisation (MMO) regulations and OJEU tendering guidelines. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and

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

inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

STRATEGIC REPORT AND DIRECTORS' REPORT

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 strategic report and the directors' report;
- in our opinion the information given in those reports 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.

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 9, 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.

LONDON GATEWAY PORT LIMITED

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

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/auditorsresponsibilities.

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.



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

Date: 10 August 2023

LONDON GATEWAY PORT LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Revenue	3	222,607	182,138
Cost of sales		(79,014)	(59,831)
Gross profit		<u>143,593</u>	<u>122,307</u>
Administrative expenses		(26,534)	(19,943)
Depreciation, amortisation and impairment		(30,829)	(30,415)
Other operating income	4	6,306	2,496
Operating profit	6	<u>92,536</u>	<u>74,445</u>
Interest receivable and similar income	10	1,640	48
Interest payable and similar expenses	11	(37,547)	(37,676)
Other finance income		2,213	1,982
Profit before tax		<u>58,842</u>	<u>38,799</u>
Tax (expense)/income on profit	12	(15,262)	25,244
Profit for the financial year		<u><u>43,580</u></u>	<u><u>64,043</u></u>

The notes on pages 19 to 55 form part of these financial statements.

LONDON GATEWAY PORT LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Profit for the financial year		43,580	64,043
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Effective portion of movement in cashflow hedges		14,514	20,200
Deferred tax on other comprehensive income	25	(2,845)	(3,155)
Total comprehensive income for the year		<u><u>55,249</u></u>	<u><u>81,088</u></u>

The notes on pages 19 to 55 form part of these financial statements.


LONDON GATEWAY PORT LIMITED
REGISTERED NUMBER: 04341592

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	14	2,615	3,473
Tangible assets	15	1,049,382	1,018,357
		<u>1,051,997</u>	<u>1,021,830</u>
Current assets			
Stocks	16	4,236	3,691
Debtors: amounts falling due after more than one year	17	5,618	22,588
Debtors: amounts falling due within one year	17	54,598	42,131
Cash at bank and in hand	18	105,644	69,378
Investments: Short term deposits	19	10,000	60,000
		<u>180,096</u>	<u>197,788</u>
Creditors: amounts falling due within one year	20	(669,871)	(711,822)
Net current liabilities		<u>(489,775)</u>	<u>(514,034)</u>
Total assets less current liabilities		562,222	507,796
Creditors: amounts falling due after more than one year	21	(668,151)	(668,974)
Net liabilities		<u>(105,929)</u>	<u>(161,178)</u>
Capital and reserves			
Called up share capital	26	25,000	25,000
Other reserves	27	3,131	(8,538)
Profit and loss account	27	(134,060)	(177,640)
		<u>(105,929)</u>	<u>(161,178)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


E Schulze
 Director


A Shaoul
 Director

Date: 10/08/2023

The notes on pages 19 to 55 form part of these financial statements.

LONDON GATEWAY PORT LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital £000	Cashflow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2022	25,000	(8,538)	(177,640)	(161,178)
Comprehensive income for the year				
Profit for the year	-	-	43,580	43,580
Fair value movements	-	14,514	-	14,514
Deferred tax on other comprehensive income	-	(2,845)	-	(2,845)
Total other comprehensive income, net of tax for the year	-	11,669	-	11,669
Total comprehensive income for the year	-	11,669	43,580	55,249
Total transactions with owners	-	-	-	-
At 31 December 2022	25,000	3,131	(134,060)	(105,929)

The notes on pages 19 to 55 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital £000	Cashflow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2021	25,000	(25,583)	(241,683)	(242,266)
Comprehensive income for the year				
Profit for the year	-	-	64,043	64,043
Fair value movements	-	20,200	-	20,200
Deferred tax on other comprehensive income	-	(3,155)	-	(3,155)
Total other comprehensive income, net of tax for the year	-	17,045	-	17,045
Total comprehensive income for the year	-	17,045	64,043	81,088
Total transactions with owners	-	-	-	-
At 31 December 2021	25,000	(8,538)	(177,640)	(161,178)

LONDON GATEWAY PORT LIMITED

**STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

The notes on pages 19 to 55 form part of these financial statements.

LONDON GATEWAY PORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

London Gateway Port 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 companies 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 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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Going concern

Notwithstanding net current liabilities of £489,773,633 (2021: £514,034,266) and net liabilities of £105,928,550 (2021: £161,178,582) as at 31 December 2022 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company meets its day to day working capital requirements from operational cash flows, together with an external bank loan (see Note 23) and an intercompany loan from its immediate parent, London Gateway Port Holdings Limited (see Note 20).

The directors have prepared cash flow forecasts and performed a going concern assessment which indicates that, in both the base and reasonably possible downside, the company will have sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements, the going concern assessment period. This assessment is dependent on its intermediate parent company, DP World Limited, not seeking repayment of the amounts currently due to London Gateway Port Holdings Limited, which at 31 December 2022 amounted to £628,076,913, and providing additional financial support during the going the concern assessment period.

The base case cash flow forecast prepared assumes 2023 and 2024 volumes, revenue and costs are in line with budgeted levels and generate an EBITDA of approximately £103m for 2023 and £111m for 2024, for both financial years in full. The reasonably possible downside scenario assumes that 2023 volumes would be down by 10% and inflation at 10% higher than the budget. The resulting EBITDA for 2023 would be approximately £77m for the full financial year. In the 2024 downside the volumes were reduced 5% and the inflation was set at 10% above the budget. The resulting EBITDA for 2024 was approximately £90m for the full financial year. The cash position under both the base case, and the downside scenario, for going concern assessment period to 31 December 2024 shows that there is sufficient cash to meet interest and loan repayments after ongoing operational costs are met. However, it is assumed that ongoing access to funding from London Gateway Port Holdings Limited continues to be provided for costs relating to the construction of berth 4 at London Gateway Port.

DP World Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts currently due to the group during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have prepared the financial statements on a going concern basis.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Revenue

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 Limited 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), lease rentals, drydocking and logistic services revenue.

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. Revenue is accounted for net of rebates. Revenue collected by CNS is passed directly to London Gateway Port Limited on a monthly basis and is accounted for as it is invoiced by CNS.

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

1.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Software	-	10	years
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LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided on the following basis:

Freehold buildings	- 50 years
Short-term leasehold property	- 50 years
Plant and machinery	- 5 to 25 years
Motor vehicles	- 5 years
Terminal & Civils	- 50 to 60 years
Rail	- 60 years
Computer equipment	- Hardware 3 years
Fixtures & Fittings	- 5 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the profit and loss account.

LONDON GATEWAY PORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Impairment of tangible assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in the 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 assets 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 groups of assets.

Calculation of recoverable amounts

The recoverable amounts of fixed assets is the greater of their fair value less costs of disposal 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.

1.8 Stocks

Stocks mainly consist of spare parts and consumables.

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)

1.9 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.

1.10 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.11 Investments - Short Term Deposits

Short term deposits are cash deposits with financial institutions that mature after three months from the date of acquisition with insignificant risk of change in value.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Financial Instruments

Classification of financial assets

Applicable from 1 January 2018, the Port classifies its financial assets in the following measurement categories

- Amortised cost;
- Fair value through other comprehensive income ('FVOCI'); or
- Fair value through profit or loss ('FVTPL').

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Initial recognition of financial assets

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement of financial assets

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
FVOCI – debt instrument	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
FVOCI – equity instrument	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Port's financial assets as at 1 January 2018:

Financial instruments	Original classification under IAS 39	New classification under IFRS 9	Original carrying value under IAS 39 (£ million)
Trade receivables	Loans and receivables	Financial assets at amortised cost	12.3
Other receivables	Loans and receivables	Financial assets at amortised cost	28.9
Amounts owed by group undertakings	Loans and receivables	Financial assets at amortised cost	7.4
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	31.2

The new classification above did not result in any significant change in measurement of values under IFRS 9.

Derecognition of financial assets

The Port derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred and it does not retain control of the financial asset.

Impairment of non-derivative financial assets

From 1 January 2018, the Port assesses, on a forward-looking basis the expected credit losses ('ECLs') applicable to its financial assets measured at amortised cost. The Port measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Port considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Port's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Port is exposed to credit risk.

The application of IFRS 9's impairment requirements at 1 January 2018 did not result in any significant additional impairment allowance.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)

Non-derivative financial liabilities

Classification, initial recognition and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities at amortised cost or FVTPL.

The Port's non-derivative financial liabilities consist of loans and borrowings, amounts due to related parties, and trade and other payables. All non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. The Port classifies all its non-derivative financial liabilities as financial liabilities to be carried at amortised cost using effective interest method.

The subsequent measurement of non-derivative financial liabilities are carried at their amortised cost using the effective interest method.

The Port derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Port also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

1.13 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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (CONTINUED)

1.14 Hedge accounting

Derivative financial instruments and hedge accounting - (Policy applicable under IFRS 9 from 1 January 2018)

The Port holds derivative financial instruments such as interest rate swaps to hedge its cash flows exposed to risk of fluctuations in interest rates.

The Port has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Port to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in the consolidated income statement when incurred. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivative instruments that are not designated as hedging instruments in hedge relationships are classified as financial liabilities or assets at fair value through profit or loss.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment that could affect the consolidated income statement, then such hedges are classified as cash flow hedges.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in consolidated statement of other comprehensive income to the extent that the hedge is effective and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated income statement.

When the hedged item is a non-financial asset, the amount recognised in the consolidated statement of other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in consolidated statement of other comprehensive income is transferred to the consolidated income statement in the same period that the hedged item affects the consolidated income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in consolidated statement of other comprehensive income remains there until the forecast transaction or firm commitment occurs. If the forecast transaction or firm commitment is no longer expected to occur, then the balance in equity is reclassified to income statement.

The policies applied for initial recognition and subsequent measurement in the comparative information presented for 2017 is similar to that applied for 2018.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)

1.15 Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

1.16 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

LONDON GATEWAY PORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (CONTINUED)

1.17 Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value. The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are issued principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking, or are derivatives, including separately embedded derivatives unless they are financial guarantee contracts or are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities which are not held for trading or are not financial liabilities designated upon initial recognition as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The effective portion of the gain or loss on cash flow hedging instruments are recognised in other comprehensive income, while the ineffective portion is recognised in the profit & loss account. Amounts taken to other comprehensive income are reclassified to the profit & loss when the hedged transaction affects profit or loss.

Amendment to IFRS7 Financial Instruments: Disclosures re IBOR reform

DP World Group policy is to manage exposure and volatility within the framework of the DP World Group Treasury policy using a variety of permitted derivative products as approved by the Board of Directors.

The London Interbank Offered Rate (LIBOR) was replaced from 31 December 2021 as the interest rate used in calculating floating or adjustable rates for loans, bonds, derivatives and other financial contracts and replaced by the Sterling Overnight Index Average (SONIA).

On account of the IBOR transition, the floating interest rate has been changed from GBP LIBOR to GBP SONIA with effect from 31 December 2021. In all the interest payments periods commencing after December 2021, London Gateway Port Limited will be liable to pay floating interest rate of GBP SONIA plus credit adjustment spread of 0.2766% as per the revised loan agreement. Accordingly the hedged item will be the cash flow payable on the floating rate loan determined based on the GBP SONIA and the credit adjustment spread added to it. The hedge relationship proposes to hedge the risk in the unfavourable movement in GBP SONIA interest rate charged by the lending bank in the place of GBP LIBOR.

LONDON GATEWAY PORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (CONTINUED)

1.18 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.19 Operating leases: The Company as lessor

Rental income from operating leases is credited to profit or loss on a straight line basis over the lease term.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

1.20 Leased assets: The Company as lessor

Where assets leased to a third party give rights approximating to ownership (finance lease), the lessor recognises as a receivable an amount equal to the net investment in the lease i.e. the minimum lease payments receivable under the lease discounted at the interest rate implicit in the lease. This receivable is reduced as the lessee makes capital payments over the term of the lease.

A finance lease gives rise to two types of income: profit or loss equivalent to the profit or loss resulting from outright sale of the asset being leased, at normal selling prices, reflecting any applicable discounts, and finance income over the lease term.

1.21 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.22 Interest income

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

1.23 Borrowing costs

Borrowing costs are recognised in the profit and loss account in the year in which they are incurred if they relate to assets which are currently in use. If borrowing costs relate to assets which are under construction or not yet in use then these costs are capitalised.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)

1.24 Provisions for liabilities

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.25 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset or liability is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities can only be disclosed net where there is a right of offset.

LONDON GATEWAY PORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (CONTINUED)

1.26 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 1.9.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. ACCOUNTING POLICIES (CONTINUED)

1.26 Leases (CONTINUED)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

The Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

Periods covered by an option to extend the lease are included if the Company has reasonable certainty that the option will be exercised and periods covered by the option to terminate are included if it is reasonably certain that this will not be exercised.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

In preparing these financial statements, the directors have had to make the following judgements:

Determine whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty include:

Tangible fixed assets (see note 15)

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Deferred tax (see note 25)

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as a component of the tax expense in the income statement, except where it relates to items charged or credited to other comprehensive income or directly to equity. After a period of losses prior to 2021 the Company had a strong operating performance in 2021 and has reported profits for the first time since becoming an operational port. The 10 year plan is also projecting profits in future years which gives us grounds to recognise a Deferred Tax Asset on accumulated losses which will be recovered against future profits.

Cash flow hedges (see note 24)

Cash flow hedges are utilised to hedge exposure to the variability in cash flows. Hedge relationships are formally designated and documented at inception together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument effectiveness in offsetting the exposure to changes in the hedged items cashflows.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. ANALYSIS OF REVENUE

An analysis of turnover by class of business is as follows:

	2022	2021
	£000	£000
Containerised stevedoring revenue	75,471	64,478
Containers other revenue	133,805	106,321
Non-containerised revenue	13,331	11,339
	<u>222,607</u>	<u>182,138</u>

All revenue arose within the United Kingdom.

4. OTHER OPERATING INCOME

	2022	2021
	£000	£000
Other operating income	2,668	1,149
Net rents receivable	3,440	1,331
Service charge receivable	198	14
Sundry income	-	2
	<u>6,306</u>	<u>2,496</u>

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. LEASES

Company as a lessee

The Company leases two vehicles and a small parcel of land which is utilised as a car park.

Lease liabilities are due as follows:

	2022	2021
	£000	£000
Not later than one year	62	16
Between one year and five years	181	-
	<u>243</u>	<u>16</u>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2022	2021
	£000	£000
Interest expense on lease liabilities	10	-
	<u>10</u>	<u>-</u>

Company as a lessor

The Company has one finance lease where it acts as a lessor, which is the counterpart lease relating to the Tanker Jetty land at London Gateway Port. The lease term is for 999 years at the annual rent of £25,000 (net) payable for the first twenty years of the term until and including 4th October 2030 then on and from 4th October 2031 at the annual rent of one peppercorn (if demanded). In terms of the risks the Company retains all the rights to the assets. We had to move the jetty because it was situated where the Company wanted to build the new berths so for operational and construction reasons it had to be moved and built in new location. The income is not material to the Company in relation to the £50m investment cost to the Company.

The Company has four operating leases where it acts as a lessor in relation to the lease of property at Berth 7 of the London Gateway Port. One lease term is 15 years from 3rd August 2015 to 28th September 2030 with annual rental of £300k commenced on 16th March 2021 until 3rd August 2025 and thereafter £450k. This asset was constructed at the cost of the lessee. There are two break clauses in the agreement and the lessee could break before the commencement of any rental payments. If the lessee terminates the lease then we have a free asset that we can utilise. The second lease term is 15 years from 27th March 2018 to 26th March 2033 with annual rental of £425k commencing 27th May 2018. The lease has one break clause in it. The Company built the asset but if the lessee terminates the lease then we have high demand for the asset as there is a lot of demand for expansion to the asset currently. The third lease term is 15 years from 27th November 2020 to 26th November 2035 with annual rental of £291k commenced on 01 January 2021. There is a break clause in the agreement but the lessee would need to give 12 months notice to terminate the lease. The fourth lease term is 3 years from 05 March 2021 to 04 March 2024 with annual rental of £181k commenced on 05 March 2021. There is a break clause in the agreement but the lessee would need to give 12 months notice to terminate the lease.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. LEASES (CONTINUED)

Finance leases

The following table summarises the undiscounted lease payments receivable after the reporting date.

	2022	2021
	£000	£000
Not later than one year	20	21
Between one and two years	19	20
Between two and three years	18	19
Between three and four years	18	18
Between four and five years	17	18
Later than five years	46	63
TOTAL UNDISCOUNTED LEASE PAYMENTS RECEIVABLE	138	159

Lease income from finance lease contracts in which the Company acts as a lessor is as below:

	2022	2021
	£000	£000
Finance income on the net investment in finance leases	25	25

Operating leases

The following summarises the undiscounted lease payments receivable after the reporting date.

	2022	2021
	£000	£000
Not later than one year	1,671	1,197
Between one and two years	1,523	1,197
Between two and three years	1,640	1,048
Between three and four years	1,741	1,078
Between four and five years	1,741	1,166
Later than five years	13,830	6,924
TOTAL UNDISCOUNTED LEASE PAYMENTS RECEIVABLE	22,146	12,610

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. LEASES (CONTINUED)

Lease income from operating lease contracts in which the Company acts as a lessor is as below:

	2022	2021
	£000	£000
Lease income	3,440	1,133

6. OPERATING PROFIT

The operating profit is stated after charging:

	2022	2021
	£000	£000
Depreciation of tangible fixed assets	29,730	28,981
Amortisation of intangible assets, including goodwill	1,288	1,414
Exchange differences	51	31
Defined contribution pension cost	1,664	1,377

7. AUDITOR'S REMUNERATION

	2022	2021
	£000	£000
Audit of financial statements	124	109

The auditor's remuneration of the parent company (London Gateway Port Holdings Limited) is also borne by London Gateway Port Limited. The remuneration of £124k does not include the remuneration of the Holding company.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2022	2021
	£000	£000
Wages and salaries	32,998	27,494
Social security costs	3,536	2,929
Cost of defined contribution scheme	1,664	1,377
	<u>38,198</u>	<u>31,800</u>

The average wages and salary costs of employees is £55,000 (2021: £51,000). The average social security costs is £6,000 (2021: £5,000), and the average pensions costs is £3,000 (2021: £3,000).

The average monthly number of employees, including the directors, during the year was as follows:

	2022	2021
	No.	No.
Operations	352	324
Engineering	125	106
Administration	119	111
	<u>596</u>	<u>541</u>

9. DIRECTORS' REMUNERATION

	2022	2021
	£000	£000
Directors' emoluments	344	433
Company contributions to defined contribution pension schemes	-	24
	<u>344</u>	<u>457</u>

The highest paid director received remuneration of £169 thousand (2021 - £179 thousand).

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.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. INTEREST RECEIVABLE

	2022	2021
	£000	£000
Other interest receivable	1,640	48
	1,640	48
	1,640	48

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£000	£000
Bank interest payable	37,167	37,241
Other finance charges	370	435
Interest on lease liabilities (IFRS 16)	10	-
	37,547	37,676
	37,547	37,676

12. TAXATION

	2022	2021
	£000	£000
CORPORATION TAX		
UK corporation tax charge on profit for the year	1,158	-
	1,158	-
	1,158	-
TOTAL CURRENT TAX		
DEFERRED TAX		
Other timing differences	14,104	(26,468)
Adjustment in respect of prior periods	-	(557)
Effect of tax rate change on opening balance	-	1,781
	14,104	(25,244)
	14,104	(25,244)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
	15,262	(25,244)
	15,262	(25,244)

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE/(CREDIT) FOR THE YEAR

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax applicable for the period in the UK of 19% (2021 - 19%). The differences are explained below:

	2022	2021
	£000	£000
Profit on ordinary activities before tax	58,843	38,799
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	11,180	7,372
EFFECTS OF:		
Expenses not deductible not taxable for tax purposes	9	2,143
Adjustments to tax charge in respect of prior periods	-	(557)
Remeasurement of deferred tax for changes in tax rates	4,068	4,632
Other timing differences leading to an increase (decrease) in taxation	-	(617)
Movement in deferred tax not recognised in previous periods (tax losses)	-	(37,732)
Deferred tax charged to OCI	(2,846)	-
Temporary differences not recognised in computation	2,163	-
Other adjustments	688	(485)
TOTAL TAX CHARGE/(CREDIT) FOR THE YEAR	15,262	(25,244)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In the 2021 Budget held on 3 March 2021, it was announced that the main UK corporation tax rate will increase to 25% from 1 April 2023. The rate change will impact the amount of future tax recognised by the company. The deferred tax asset has been calculated based on the rates substantively enacted at 31 December 2022.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. OTHER FINANCE INCOME

Other finance income represents the effective element of the movements in fair value of the cash flow hedge which are recognised in the profit and loss account. Other movements of the cash flow hedge are recognised in the Statement of Comprehensive Income.

14. INTANGIBLE ASSETS

	Software £000
COST	
At 1 January 2022	13,974
Additions - internal	430
At 31 December 2022	<u>14,404</u>
AMORTISATION	
At 1 January 2022	10,501
Charge for the year on owned assets	1,288
At 31 December 2022	<u>11,789</u>
NET BOOK VALUE	
At 31 December 2022	<u>2,615</u>
At 31 December 2021	<u><u>3,473</u></u>

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £000	Plant and machinery and project funding £000	Motor vehicles £000	Rail £000	Fixtures & fittings and Terminal & civils £000
COST OR VALUATION					
At 1 January 2022	233,367	327,607	1,215	40,468	574,571
Additions	266	29	338	-	-
Disposals	-	-	(57)	-	-
Transfers between classes	-	429	(28)	-	8,340
At 31 December 2022	<u>233,633</u>	<u>328,065</u>	<u>1,468</u>	<u>40,468</u>	<u>582,911</u>
DEPRECIATION					
At 1 January 2022	18,104	96,223	873	5,306	80,919
Charge for the year on owned assets	1,221	14,377	162	674	11,728
Charge for the year on right- of-use assets	44	-	5	-	-
Disposals	-	-	(57)	-	-
At 31 December 2022	<u>19,369</u>	<u>110,600</u>	<u>983</u>	<u>5,980</u>	<u>92,647</u>
NET BOOK VALUE					
At 31 December 2022	<u>214,264</u>	<u>217,465</u>	<u>485</u>	<u>34,488</u>	<u>490,264</u>
At 31 December 2021	<u>215,263</u>	<u>231,384</u>	<u>342</u>	<u>35,162</u>	<u>493,652</u>

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer equipment (Hardware) £000	Assets in the course of construction £000	Total £000
COST OR VALUATION			
At 1 January 2022	19,895	29,482	1,226,605
Additions	42	60,080	60,755
Disposals	(84)	-	(141)
Transfers between classes	10	(8,751)	-
At 31 December 2022	<u>19,863</u>	<u>80,811</u>	<u>1,287,219</u>
DEPRECIATION			
At 1 January 2022	6,823	-	208,248
Charge for the year on owned assets	1,519	-	29,681
Charge for the year on right-of-use assets	-	-	49
Disposals	(84)	-	(141)
At 31 December 2022	<u>8,258</u>	<u>-</u>	<u>237,837</u>
NET BOOK VALUE			
At 31 December 2022	<u>11,605</u>	<u>80,811</u>	<u>1,049,382</u>
At 31 December 2021	<u>13,072</u>	<u>29,482</u>	<u>1,018,357</u>

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2022 £000	2021 £000
Tangible fixed assets owned	1,049,145	1,018,341
Right-of-use tangible fixed assets	233	16
	<u>1,049,378</u>	<u>1,018,357</u>

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Information about right-of-use assets is summarised below:

Net book value

	2022	2021
	£000	£000
Property	225	-
Motor vehicles	8	16
	<u>233</u>	<u>16</u>

Depreciation charge for the year ended

	2022	2021
	£000	£000
Property	44	-
Motor vehicles	5	5
	<u>49</u>	<u>5</u>

Additions to right-of-use assets

	2022	2021
	£000	£000
Additions to right-of-use assets	266	18

16. STOCKS

	2022	2021
	£000	£000
Consumable stores	<u>4,236</u>	<u>3,691</u>

Consumable stores are machine parts not for re-sale.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. DEBTORS

	2022	2021
	£000	£000
DUE AFTER MORE THAN ONE YEAR		
Other debtors	117	137
Deferred tax asset (see note 24)	5,501	22,451
	<u>5,618</u>	<u>22,588</u>

Included within other debtors is a finance lease receivable of £118k (2021 : £137k). Refer to note 5 for maturity profile of the lease receivable.

	2022	2021
	£000	£000
DUE WITHIN ONE YEAR		
Trade debtors	28,791	24,493
Amounts owed by group undertakings	5,560	6,239
Other debtors	5,780	5,177
Prepayments and accrued income	11,597	6,222
Financial instruments (see Note 24)	2,870	-
	<u>54,598</u>	<u>42,131</u>

18. CASH AND CASH EQUIVALENTS

	2022	2021
	£000	£000
Cash at Bank	105,644	69,378
	<u>105,644</u>	<u>69,378</u>

Cash at bank includes £21.253m (2021 : £21.137m) of restricted cash in respect of monies held in respect of the requirements of the Debt Service Reserve Account as per the Common Terms Agreement.

19. SHORT TERM DEPOSITS

	2022	2021
	£000	£000
Short term deposits	10,000	60,000
	<u>10,000</u>	<u>60,000</u>

There was a short term deposit of £10,000 which matures in June 2023 carrying interest rates of 3.88% .

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£000	£000
Bank loans	5,330	1,830
Trade creditors	6,865	798
Amounts owed to group undertakings	629,728	673,357
Corporation tax	181	-
Other taxation and social security	1,016	767
Lease liabilities (see note 22)	62	16
Other creditors	260	264
Accruals and deferred income	26,429	20,933
Financial instruments (see note 24)	-	13,857
	<u>669,871</u>	<u>711,822</u>

The amounts owed to group companies comprises of loans which have been granted by London Gateway Port Holdings Limited 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.

The bank loan of £5,330k represents a repayment of the Berth 3 loan facility of £70m. This loan has a tenor of 20 years and is interest bearing at SONIA + 1.85%.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022	2021
	£000	£000
Bank loans	637,031	639,499
Lease liabilities	181	-
Accruals and deferred income	30,939	29,475
	<u>668,151</u>	<u>668,974</u>

Details of the following secured liabilities:

Secured Loans

The amount owed as bank loans represents external borrowings from commercial lenders to fund the construction of the Port. The refinancing loans of £580,000k are interest bearing at SONIA + 3.286%. The Berth 3 Loan facility £68,170k is interest bearing at SONIA + 1.8500%, for a tenor of 20 years and the first repayment of this loan was paid in 2022.

Land and buildings, intangible assets and plant and equipment totalling £1,301,622k (2021: £1,240,550k) are pledged as security against bank loans.

Deferred income represents a contribution received from the Port of London Authority (PLA) towards the cost of dredging carried out by London Gateway on the River Thames. The contribution was received in recognition that London Gateway had incurred dredging costs, which in part generated benefit to the PLA and their commercial operations. The balance has been treated as deferred income as it will be released to the profit and loss over the life of the Port asset (50 years).

There is also a TEN-T grant which was received from the European Union as a contribution towards dredging of the new shipping lane. This was all transferred from assets under the course of construction to deferred income in 2017. Similarly, a contribution from the Environment Agency was received towards the construction of Site X, a wildlife habitat in Kent. Both these sums are also being amortised over 50 years, the life of the Port asset.

The Company received a grant for £969k from the Department for Transport on 07 October 2020 against the agreement and the project for the Port Infrastructure Resilience and Connectivity (PIRC) fund that was completed in October 2019. All costs will be amortised over 50 years, the life of the Port asset along with the grant income being deferred to match the costs.

The Company received a grant for £3,879,884 in 2021 from the Department for Transport against the agreement for the Port Infrastructure Fund (PIF) in respect of the projects to construct a Truck Park and the expansion of the Border Force facility. Both projects were completed in 2022. All costs will be amortised over 50 years, the life of the Port asset along with the grant income being deferred to match the costs.

LONDON GATEWAY PORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

22. LEASES : COMPANY AS A LESSEE

	2022 £000	2021 £000
LEASE LIABILITY		
Lease liabilities recognised at 1 January	16	4
Payments	(49)	(4)
Deductions	266	16
Interest expense	10	-
AS AT 31 DECEMBER	<u>243</u>	<u>16</u>

Lease liabilities classified as:

	2022 £000	2021 £000
Current	62	6
Non-current	181	10
	<u>243</u>	<u>16</u>

In calculating the lease liability to be recognised on adoption, the Company used an incremental borrowing rate of 4.5% at 1 January 2022.

Refer to note 15 for right of use assets and also refer to note 5 for maturity profile of lease liabilities.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

23. LOANS

Analysis of the maturity of loans is given below:

	2022	2021
	£000	£000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	5,330	1,830
	<u>5,330</u>	<u>1,830</u>
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS		
Bank loans	637,031	639,499
	<u>637,031</u>	<u>639,499</u>

Bank loans consists of (£8.67m) borrowing costs netted off against the loan.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. FINANCIAL INSTRUMENTS

	2022	2021
	£000	£000
FINANCIAL ASSETS		
Derivative financial instruments designed as hedges of variable interest rate risk	2,870	-
Financial assets that are debt instruments measured at amortised cost	145,894	164,189
	<u>148,764</u>	<u>164,189</u>
FINANCIAL LIABILITIES		
Derivative financial instruments designed as hedges of variable interest rate risk	-	(13,857)
Financial liabilities measured at amortised cost	(1,274,621)	(1,315,767)
	<u>(1,274,621)</u>	<u>(1,329,624)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and cash. The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly. Credit losses for the period amounts to £1,125,857.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, bank loans, shareholder loans, lease liabilities and amounts owed to group undertakings.

Derivative financial liabilities designated as hedges of variable interest rate risk comprise cashflow hedges. The Company has entered into fixed interest rate swaps to mitigate its interest rate exposure. The Company does not hold or issue derivative financial instruments for speculative purposes.

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

25. DEFERRED TAXATION

	2022	2021
	£000	£000
At 1 January	22,451	362
Charged to profit and loss	(14,104)	25,244
Charged to other comprehensive income	(2,846)	(3,155)
At 31 December	<u>5,501</u>	<u>22,451</u>

The deferred tax balance is made up as follows:

	2022	2021
	£000	£000
Cashflow hedge	-	2,845
Tax losses carried forward	37,951	37,951
Other	161	233
Property, plant and equipment	<u>(32,611)</u>	<u>(18,578)</u>
Asset - due after one year	5,501	22,451
	<u>5,501</u>	<u>22,451</u>

26. CALLED UP SHARE CAPITAL

	2022	2021
	£000	£000
Authorised, allotted, called up and fully paid		
25,000,101 (2021 - 25,000,101) Ordinary shares of £1.00 each	<u>25,000</u>	<u>25,000</u>

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

27. RESERVES

Other reserves

The cashflow hedge reserve consists of accumulated movements in fair value of the entities cashflow hedges.

Retained earnings

The profit and loss account is the amount of distributable profit less dividends paid.

28. CONTINGENT LIABILITIES

As part of the Agreement Relating to Dredging and Operations at London Gateway dated 4th January 2010 the Port of London Authority (PLA) made a contribution of £17m to the development and construction of the terminal and in addition agreed to release its right to charge conservancy to London Gateway vessels for a period of 20 years from operational start date (which is 16th November 2013). In return, the PLA were able to recover their contribution through charging an Estuary charge for ships coming in and out and also against the sale of foreshore and dredged materials. The contract contained a cashflow model and clause 8.4 of the agreement allows the PLA the right to recover any shortfall (note not time restricted) and London Gateway Port Limited has the right in clause 8.5 every five years to recoup any overpayment (but limited to payments previously made to the PLA under clause 8.4).

Till November 2019 (6yrs from the operational date) due to under recovery by the PLA, the PLA is entitled to recover a sum of £1.535m as per the cashflow model in the contract. As stated above, this is reviewed every 5 years and if the PLA over recovers relative to the contract schedule, the Company is entitled to recover the amount over recovered by the PLA. Therefore, the Company is required to pay this amount to the PLA and in 2023, the Company would likely recover it back (based on the PLA's forecast).

Considering the above, this is a timing issue. The Company has confirmed with the PLA that the Company doesn't need to make any payment currently considering it is likely to recover back in future and that there is no contingent liability or asset due at 31 December 2022. The PLA and London Gateway propose reviewing this each year to ensure the forecast continues to demonstrate that the PLA will recover the minimum position as set out in the contract schedule and this agreement in no way waives their rights in the future to exercise clause 8.4.

29. CAPITAL COMMITMENTS

At 31 December 2022 the Company had capital commitments for which no provision has been made, as follows:

	2022	<i>2021</i>
	£000	<i>£000</i>
Capital commitments due within one year	225,148	5,524
	<u>225,148</u>	<u>5,524</u>

LONDON GATEWAY PORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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30. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,664,000 (2021: £1,377,000).

31. POST BALANCE SHEET EVENTS

The Company had Capital Commitments of £225,148,347 at 31 December 2022 in respect of committed costs for the construction and supply of equipment for Berth 4.

32. 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.

The immediate parent undertaking at 31 December 2022 was London Gateway Port Holdings Limited, 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 2022 was Port & Free Zone World FZE, which owns 100% 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.

33. RELATED UNDERTAKINGS

The following were related undertakings of the Company:

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

There were no related party transactions during the year.