SOLENT GATEWAY LIMITED

(Company Number 09370825)

ANNUAL REPORT AND ACCOUNTS

FOR THE 11 MONTH PERIOD ENDED 31 DECEMBER 2023

SOLENT GATEWAY LIMITED

ANNUAL REPORT AND ACCOUNTS 2023

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Strategic report

1. Development and Principal activities

Solent Gateway Ltd (SGL) was formed in 2016 as a joint venture between David MacBrayne Ltd and GBA (Holdings) Ltd. It holds the 35-year lease until 2051 to develop and operate the 83-hectare Marchwood Port on the River Test opposite the Port of Southampton. On the 31 January 2023, David MacBrayne Ltd and GBA (Holdings) Ltd divested their interest in Solent Gateway Ltd to the new shareholder, ABP Midco Holdings Ltd. On 1 October 2023, the shareholding was transferred to Associated British Ports Holdings Ltd ("ABPH").

SGL remains a key element of the Solent Freeport, which is one of eight UK Government freeport sites. Freeports are a key part of the Government's economic plans for the UK which are designed to boost trade, employment and innovation in each area. SGL is one of very few sites to be awarded both Tax and Customs Site status which is beneficial for businesses taking advantages of tariff, tax and other financial benefits.

On the 9 February 2022, SGL were granted planning permission from the New Forest District Council (NFDC) to develop Marchwood Port and full planning consent for the port development was granted by NFDC on 21 October 2022, subject to a judicial review period of 6 weeks. This review period has expired with no challenges therefore SGL now has full planning consent for the development of the port.

SGL has subsequently selected and contracted with a preferred bidder for the first phase of construction work. Pre-construction work commenced in December 2023 and phase 1 construction works commenced on site in March 2024.

SGL has established itself within the Solent region and the opportunity it will create through developing considerable new port space in the Solent is widely recognised. There is growing demand for the new capacity and facilities it will create in the port, including sectors such as automotive, bulk cargoes, steel, container storage, and RORO.

SGL's long-term business strategy and plan remains on track, with a revenue forecast expected to be supported by long-term leases and boosted by high levels of demand for regular import and export activity from the maritime and automotive industries.

Solent Gateway's relationship with the Ministry of Defence (MOD) remains in a strong position. In addition to the overarching concession agreement which runs to 2051, SGL has a sub-lease with the MOD with respect to a 14 acre area, including buildings, within the port until 30 November 2024 with a further option to extend until 31 May 2026.

Change in ownership of SGL is viewed as a positive move for the industry, it also brings requirements for transition in operational structures. On 31 January 2024, 41 of 52 SGL employees transferred their employment from SGL to contract directly with Associated British Ports ('ABP'). These employees continue to be based and work at SGL and their employment costs will be reflected within the SGL's cost base. Other transitional activities, including alignment of IT systems and business processes, have largely been completed.

2. Principal Risks

SGL's approach to risk management is to direct resources to ensure that SGL, as far as possible, aligns its exposure to risk with defined risk appetite thresholds that are based on preventing harm to colleagues and other port users, and preventing adverse financial impacts.

Strategic Report (continued)

2. Principal Risks (continued)

The principal risks facing the company, based on the residual risk to the business are recorded in the company's risk and control register.

- Fire / Explosion: SGL is involved in the handling of ammunition and the handling and storage of automotive / high and heavy equipment. Robust proactive controls are in place to help prevent this risk from materialising. These include: clear health and safety policies, training and leadership; an operations model that minimises the period ammunition is within the Port boundary; and regular external audit and liaison with regulatory bodies such as HSE, Environment Agency, Explosives Inspectorate and Department for Transport.
- Workplace Transport Accident: This risk applies across all ABP's ports. There are existing controls in place at SGL which help to mitigate the risk, including the segregation of plant and people, safe systems of work and training.
- Physical Terrorist Attack: This risk applies across many of ABP's ports. Controls are in place to help mitigate this risk including stringent access controls and security at SGL which are aligned with MOD requirements.
- The company's main financial risks are liquidity, credit and capital risk:
  - Funding for the Port development programme has been agreed via a loan with Associated British Ports Holdings Limited, and Phase 1 of the development is in progress. Allocation of funding for future development phases will be secured as the requirements and design of these phases is completed. Large construction projects, such as the development of Marchwood Port, are subject to cost inflation. Any delays in the development will push back associated revenue streams and the Company's funding arrangements, including inter-group loan and letter of support from the ultimate parent company, alongside the Company's cash flow projections show there is sufficient liquidity to withstand delays.
  - Treasury matters for the company and the wider group owned by ABP (Jersey) Ltd are controlled centrally and carried out in compliance with policies approved by the Board of Associated British Ports Holdings Limited, the company's immediate parent undertaking. SGL's liquidity, interest rate and capital risks, along with credit risk relating to cash, are managed by the group.
- SGL's principal technological risk remains that of cyber-attack. The Company has transitioned to use technology platforms and technology risk management provided by ABP. A continuing trend in phishing scams and malicious software creation, and a global spike in cyber-attacks during the Covid-19 pandemic, means that ABP is at risk of an e-mail, web browser-based or internet based cyber-attack that could compromise the company's corporate computer system. ABP acknowledges that an in-depth, multi-layered defensive approach is essential to best protect against such attacks. As such, ABP continues to block e-mails and websites that may contain malware/viruses; has taken steps to encrypt and harden end-points against attack and has engaged a specialist security threat-hunting service to proactively monitor for attacks. ABP acknowledges the crucial role our people play in preventing an attack and therefore ensures that all staff receive annual awareness training. Extensive assurance work in 2021 and 2022 identified areas for controls improvement and in response a number of actions have been undertaken, with more planned, to mitigate this risk. Ongoing penetration testing to identify weaknesses in our network, and the removal of vulnerable legacy applications, continue to help ABP manage this risk.

Strategic Report (continued)

3. Performance of the business

Operating profit for the 11 month period ended 31 December 2023 was £1,616,000 (10 month period to 31 January 2023: £1,422,000). Revenue for the 11 month period ended 31 December 2023 at £10,213,000 (10 month period to 31 January 2023: £10,060,000), the relative reduction in turnover is mainly due to reduced demand for container storage during the period.

Administrative expenditure for the 11 months to 31 December 2023 was £1,615,000 (10 month period to 31 January 2023: £802,000). The increase on last year mainly relates to higher audit fees and amortisation costs.

4. Financial position

The net asset position of SGL at 31 December 2023 is £3,662,000 (31 January 2023: £2,367,000).

5. Outlook

SGL's long-term business strategy is dependant on the successful delivery of the port's Development Plan. To support this SGL has an intercompany loan agreement with ABPH to fund future port developments.

Phase 1 of the Port Development Plan is in progress and will deliver 20 acres of additional automotive operating area in 2024. Phases 2 and 3 of this development programme are at the design stage.

On behalf of the Board

Andrew Collingwood

Director

Directors' report

The directors present the report and the audited accounts of Solent Gateway Limited ("SGL") (number 09370825) for the 11 month period ended 31 December 2023.

1. Principal activity and business review

The company operates the port at Marchwood, under a 35-year contract with the Ministry of Defence.

SGL is a wholly owned subsidiary of Associated British Ports Holdings Ltd ("ABPH").

2. Directors

C Judah	Resigned 31 January 2023
R Drummond	Resigned 31 January 2023
D Mackison	Resigned 16 September 2022
J Ward	Appointed 16 September 2022, Resigned 31 January 2023
A Collingwood	Appointed 31 January 2023
A Welch	Appointed 31 January 2023
S Bland	Resigned 31 January 2023
F Barnes	Resigned 31 January 2023
A Morgan	Appointed 31 January 2023
R Parkinson	Appointed 31 January 2023

ABPJ maintains directors' and officers' liability insurance and pension fund trustees' liability insurance which give appropriate cover for any legal action brought against the directors and officers of the company. The qualifying indemnity provisions were in place for A Morgan, A Welch, R Parkinson and A Collingwood from the date of their appointments on 31 January 2023. In addition, the Articles of Association of the company permit the directors and officers of the company to be indemnified in respect of liabilities incurred as a result of their office.

Qualifying third party indemnity provisions (as defined by s.234 of the Companies Act 2006) for the benefit of directors and officers were in force for all directors and officers during the year and remain in force in relation to certain losses and liabilities which directors and officers may incur (or have incurred) in connection with their duties, powers or office.

3. Financial Instruments

The Company enters into no complex financial instruments.

4. Political contributions

The Company made no political donations nor incurred any political expenditure during the year.

5. Auditor re-appointment

The company's external auditor for the period ended 31 January was Mazars LLP who resigned in October 2023 and Ernst & Young LLP, the wider group auditor, were appointed. The wider group's external audit for the financial year ending 31 December 2024 was tendered during 2023. Following the tender, Ernst & Young LLP will be resigning as the company's auditor on completion of the audit of this year's Annual Report and Accounts. On the recommendation of the Audit and Risk Committee the Board has appointed PricewaterhouseCoopers LLP to fill the casual vacancy created by Ernst & Young's resignation.

Directors Report (continued)

6. Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

In reaching this view, the Directors have placed reliance on the contractual warranty commitments entered into by the previous directors, who resigned on 31 January 2023, and which are set out in Clause 9 and Schedule 5 of the Agreement for the Sale and Purchase of Solent Gateway Limited.

7. Dividend

The directors do not recommend the payment of a dividend (2022: £nil)

8. Going concern

Due to the initial investment required, cumulative losses were expected until the Marchwood Port could be developed to accommodate new business. The period ending 31 December 2023 experienced additional revenue from berthing days and container storage, but as this income cannot be guaranteed in the longer term this has been excluded from our going concern assessment undertaken at this point. SGL are forecasting to remain profitable up to financial period ending 31 December 2025.

Planning consent is now in place supporting development of the Marchwood Port. Funding is in place supporting the first phase of development of the Port and construction of this phase is in progress and will deliver 20 acres of commercial operational land along with a new entrance gateway and security facility for the Port during 2024. This will accommodate new automotive RoRo operations with existing and new customers which have longer term business needs in the port. Contracts with new customers will provide SGL with long-term financial stability. Significant enquires have been received from businesses seeking access to operate in Marchwood Port and the SGL Directors are confident for the future success of SGL.

SGL continues to be successful in using all land currently available for commercial business, accommodating container storage services, automotive operations, project cargo storage and land leases to several businesses. As a direct result of the additional berthing and container storage requirements exceeding expectations, SGL has performed ahead of the financial plan.

For the purposes of the Directors' assessment of the company's going concern position and to satisfy them of the company's ability to pay its liabilities as they fall due, the Directors have prepared a cash flow forecast for a period up to 31 December 2025. The financial forecast reflects the current assumptions including the existing liquidity held with SGL, Parent Company funding from ABPH, forecast capital investment in developing the Port and forecast trading performance in the period. An additional assessment relating to the impact from a delay in development and any related delay in securing new client business has also been assessed.

Directors Report (continued)

8. Going concern (continued)

Further the Directors have considered the financial support confirmation provided by the ultimate parent company (ABP Jersey Limited) for the period up to 31 December 2025. Based on the above review and financial support confirmation from the ultimate parent company, the directors have concluded that the Company has the ability to continue to meet its liabilities as they fall due for the period to 31 December 2025 and therefore the financial statements have been prepared on a going concern basis.

On behalf of the Board

Andrew Collingwood
Director
13 September 2024

Statement of directors' responsibilities in respect of the preparation of the annual report and accounts

The directors are responsible for preparing the annual report and accounts in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 assets, liabilities and financial position of the company and of the profit or loss of the company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and applied them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; subject to any material departures being disclosed and explained in the accounts;
- 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, to disclose with reasonable accuracy, at any time, the financial position of the company and to enable them to ensure that the company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLENT GATEWAY LIMITED

Opinion

We have audited the financial statements of Solent Gateway Limited for the 11 month period ended 31 December 2023 which comprise the Income Statement, the Balance Sheet, Statement of cash flows, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its profit for the 11 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating 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 period to 31 December 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLENT GATEWAY LIMITED (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLENT GATEWAY LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework
- We understood how Solent Gateway Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Board and noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility of fraud. We also considered performance targets and their influence on efforts made by management to manage Key Performance Indicators. Where this risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing journal entries and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any noncompliance with laws and regulations, a review of the reporting to the board on compliance with regulations, enquiries of Legal Counsel and of Management.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLENT GATEWAY LIMITED (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Steven Lunn (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
13 September 2024

Profit and loss for the period ended 31 December 2023

	Note	11 months to 31 December 2023 £000	10 months to 31 January 2023 £000
Revenue	2	**10,213**	10,060
Cost of sales		**(6,982)**	(7,836)
Gross profit		**3,231**	2,224
Administrative expenses		**(1,615)**	(802)
Operating profit		**1,616**	1,422
Finance income		**147**	-
Profit before taxation	4	**1,763**	1,422
Taxation charge	5	**(468)**	(280)
Profit for the year attributable to equity shareholder		**1,295**	1,142

Statement of comprehensive income for the period ended 31 December 2023

There was no other comprehensive income during the period to 31 December 2023 or prior period. Total comprehensive income is represented by the profit for the period.

The accompanying notes are an integral part of these financial statements

Balance Sheet as at 31 December 2023

	Note	As at 31 December 2023 £000	As at 31 January 2023 £000
Assets			
Non-current assets			
Intangible assets	6	**4,423**	-
Leasehold improvements	6	**1,330**	1,028
Assets under construction	6	**747**	3,103
		6,500	4,131
Current assets			
Deferred tax	5	**-**	9
Debtors	7	**2,243**	2,132
Cash at bank and in hand	8	**6,520**	8,001
		8,763	10,142
Current liabilities			
Amounts fall due within one year	10	**(2,794)**	(3,193)
Net current assets		**5,969**	6,949
Total assets less current liabilities		**12,469**	11,080
Non-current liabilities			
Deferred tax	5	**(129)**	-
Amounts falling due after more than one year	10	**(8,678)**	(8,713)
		(8,807)	(8,713)
Net assets		**3,662**	2,367
Capital and reserves			
Called up share capital	11	**5,000**	5,000
Retained earnings		**(2,633)**	(3,775)
Profit and loss		**1,295**	1,142
Total shareholder's equity		**3,662**	2,367

The accompanying notes are an integral part of these financial statements

The financial statements were approved by the Board and signed on its behalf on 13 September 2024 by:

A Collingwood
Director

Statement of cash flows for the period ended 31 December 2023

	11 months to 31 December 2023	10 months to 31 January 2023
	£000	£000
Cash flows from operating activities		
Profit for the year	**1,295**	1,142
Adjusted for:		
Income tax	**468**	280
Depreciation and amortisation	**127**	43
Finance income	**(147)**	-
Operating cash flows before movements in working capital	**1,743**	1,465
(Increase) /decrease in trade and other receivables	**(188)**	1,538
(Decrease)/increase in trade and other payables	**(1,172)**	1,095
Cash generated from operations	**383**	4,098
Taxation	**(269)**	(16)
Net cash flows from operating activities	**114**	4,082
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,109)**	(230)
Acquisition of intangible assets	**(611)**	-
Interest Received	**126**	-
Net cash flows from investing activities	**(1,594)**	(230)
Cash flows from financing activities		
Interest paid and similar charges	**(1)**	-
Net cash flows from financing activities	**(1)**	-
Change in cash and cash equivalents during the period	**(1,481)**	3,852
Opening cash and cash equivalents	**8,001**	4,149
Closing cash and cash equivalents	**6,520**	8,001

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2023

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 31 January 2023	5,000	(2,633)	2,367
Profit for the year	-	1,295	1,295
Total comprehensive income	**-**	**1,295**	**1,295**
At 31 December 2023	**5,000**	**(1,338)**	**3,662**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2022	5,000	(3,775)	1,225
Profit for the year	-	1,142	1,142
Total comprehensive income	**-**	**1,142**	**1,142**
At 31 January 2023	**5,000**	**(2,633)**	**2,367**

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

1.1 Basis of preparation

Solent Gateway Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000. It was agreed by the ABP Holdings Limited ("ABPH") Board to change the company's year end from 31 January 2024 to 31 December 2023.

Going Concern

SGL continues to be successful in using all land currently available for commercial business, accommodating container storage services, automotive operations, project cargo storage and land lease to several businesses. As a direct result of the additional berthing and container storage requirements exceeding expectations, SGL has performed ahead of the financial plan.

For the purposes of the Directors' assessment of the company's going concern position and to satisfy them of the company's ability to pay its liabilities as they fall due, the Directors have prepared a cash flow forecast for a period up to 31 December 2025. The financial forecast reflects the current assumptions including the existing liquidity held with SGL, Parent Company funding from ABPH, forecast capital investment in developing the Port and forecast trading performance in the period. An additional assessment relating to the impact from a delay in development and any related delay in securing new client business has also been assessed.

Further the Directors have considered the financial support confirmation provided by the ultimate parent company (ABP Jersey Limited) for the period up to 31 December 2025. Based on the above review and financial support confirmation from the ultimate parent company, the directors have concluded that the Company has the ability to continue to meet its liabilities as they fall due for the period to 31 December 2025 and therefore the financial statements have been prepared on a going concern basis.

1.2 Tangible and Intangible assets

Gross book values of all tangible assets are stated at cost. No depreciation is charged until the asset comes into use.

Costs in relation to the Port development

Costs are capitalised once it is probable that economic benefits will flow to the entity. Probability will be assessed on a regular basis, and if it becomes apparent that the project will be discontinued, any previously capitalised costs will be impaired to their recoverable amount.

Purchased intangible assets are recognised at fair value on the date of acquisition if they relate to a business combination or otherwise are recognised at cost.

Other intangible assets relate to the Planning Permission for the development of the site and are amortised over the life of 28 years as at 31 December 2023.

Notes to the financial statements

1. Accounting policies (continued)

1.2 Tangible and Intangible assets (continued)

Development costs incurred on internal projects are only capitalised where the following have been demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.3 Depreciation and amortisation

Depreciation is provided on tangible assets, and amortisation on intangible assets by equal annual instalments calculated to write off the cost (taking account of anticipated residual values) over their estimated useful lives between 10 and 25 years.

1.4 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value less any impairment losses. The criteria which the Company uses to determine that there is objective evidence of an impairment loss includes:

- significant financial difficulty of the debtor
- a breach of contract, such as a default or delinquency in interest or principal payments
- the probability that the debtor will enter bankruptcy or other financial reorganisation

Trade and other payables

Trade and other payables are obligations to pay for goods or services which have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits which have a maturity of three months or less from the date of acquisition and subject to insignificant penalties in the case of early redemption.

Notes to the financial statements

1. Accounting policies (continued)

1.5 Leases

Company as a lessee

At the lease inception it is determined whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset. Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Company as a lessor

Lease payments from operating leases are recognised as lease income over the lease term on a straight line basis. Variable lease income is recognised as lease income in the period in which it is earned.

1.6 Turnover

Revenue recognition

Revenue comprises the amounts receivable in respect of contracts with customers and lease income.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the performance obligations under the contract have been satisfied. The allocation of the transaction price to the performance obligations depends on the type of service being provided.

- Traffic revenue is related to the volumes of cargo crossing the quay and primarily consists of consolidated rate charges covering multiple services including cargo dues, carriage and the loading and unloading of cargo from vessels. Each service is an individual performance obligation. Revenue is allocated to each service based on the estimated standalone selling price of that service, usually based on a tariff rate. Revenue is recognised once provision of the service is complete.
- Cargo operations revenue relates to the handling, processing and storage of cargo before or after it has been loaded to a vessel. Each process or service is a performance obligation and usually has an identifiable selling price. Revenue is recognised when the process or service is complete. Ad hoc storage revenue is recognised over the period that the cargo is stored.
- Utilities revenue relates to the supply of electricity and other services to tenants. Revenue is recognised as utilities are supplied.

If a customer pays consideration before the performance obligations under the contract are completed, a contract liability is recognised at the earlier of the date payment is made or is due. Contract liabilities are recognised as revenue when the performance obligations are complete.

Notes to the financial statements

1. Accounting policies (continued)

1.6 Turnover (continued)

Lease Income

Lease payments from operating leases are recognised as lease income over the lease term on a straight-line basis. Variable lease income is recognised as lease income in the period in which it is earned.

1.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.8 Pensions

The Company participates in the Civil Servants Pension Scheme which provides benefits based on final pensionable salary.

The Company accounts for the scheme as if it were a defined contribution scheme, in line with provision in FRS 102 relating to accounting for state plans. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Company also operates a stakeholder pension scheme for auto enrolment purposes.

Notes to the financial statements

1. Accounting policies (continued)

1.9 Contingent Payments

Contingent Rental payments are payable to the MOD, dependant upon an annual payment level defined in the Concession Agreement which is payable subject to the level of profit before tax generated in the Concession year being at a level sufficient to trigger payment as set out in the Concession Agreement.

The company accrues the calculated annual payment liability based on the profit before tax earned in the year as set out in the guidance in the concession agreement.

In periods where profit before tax is lower than the level needed to require the Company to pay the full annual Contingent Rental payment for that year, a short fall amount is calculated. This shortfall amount may become payable to the MOD in the future years contingent upon the profit before tax in a future year being at a level sufficient to support payment of the current year charge and an element of historical shortfall as set out in guidance in the Concession Agreement. This shortfall balance is treated as a contingent liability.

Notes to the financial statements

2. Revenue

The disaggregation of the company's revenue by type of services is set out below:

	11 months to 31 December 2023 £000	10 months to 31 January 2023 £000
Service payments	**4,170**	4,899
Commercial revenue	**3,150**	3,788
Sponsored reservist fees	**589**	770
Other services	**2,304**	603
Revenue	**10,213**	10,060

3. Director and employee information

The average number of employees during the period to 31 December 2023 was 53 (period to 31 January 2023: 58).

Staff costs are analysed as follows:

	11 months to 31 December 2023 £000	10 months to 31 January 2023 £000
Wages and salaries	**1,738**	1,822
Social security costs	**160**	199
Pension costs (note 9)	**130**	129
	2,028	2,150

None of the Directors received emoluments in respect of fees or services to the Company for the period ended 31st January 2023. From 1st February 2023, short term benefits for Directors emoluments were £191k, there were no post-employment benefits. Of this figure, £7k related to Defined Contribution pension payments. Emoluments comprise amounts paid to one Director of the company who served during the year and were paid by a fellow group undertaking.

4. Operating profit

Operating profit is stated after charging/(crediting):

	11 months to 31 December 2023 £000	10 months to 31 January 2023 £000
Auditor's remuneration relating to audit services	**116**	40
Other services relating to tax	**-**	6
Operating Lease expense	**2,289**	3,043

Notes to the financial statements

5. Taxation

The taxation charge for the year is analysed as follows:

	11 months to 31 December 2023 £000	10 months to 31 January 2023 £000
UK corporation tax on profit for the period	**329**	283
Prior period adjustments	**-**	1
Current tax	**329**	284
Origination and reversal of temporary differences	**86**	-
Adjustment in respect of prior periods	**36**	(4)
Effect of tax rate change on opening balance	**17**	-
Deferred tax	**139**	(4)
Total tax charge	**468**	280
Provision for deferred tax		
Fixed asset timing differences	**129**	(6)
Pension provision short term timing differences	**-**	(3)
Total deferred tax liability/(asset)	**129**	(9)
Movement in provision		
Provision at the start of the period	**(9)**	(5)
Deferred tax charge in the profit and loss for the period	**138**	(4)
Provision at the end of the period	**129**	(9)

The taxation charge for the year is higher than the standard rate of taxation in the UK of 23.5% (Period to 31 January 2023: 19.0%). The differences are explained below:

Tax charge on profit	11 months to 31 December 2023 £000	10 months to 31 January 2023 £000
Profit before taxation	**1,763**	1,422
Profit before taxation multiplied by standard rate of corporation tax in the UK of 23.5% (period to 31 January 2023: 19.0%)	**414**	270
Effects of:		
Fixed asset differences	**102**	6
Expenses not deductible for tax purposes	**(84)**	7
Adjustments to tax charge in respect of previous periods	**36**	(3)
Total tax charge for the company	**468**	280

Notes to the financial statements

6. Non current assets

	Assets under construction £000	Leasehold improveme nts £000	Intangible assets £000	Total £000
Cost				
At 1 February 2023	3,103	1,142	-	4,245
Additions	747	348	1,401	2,496
Transfers	(3,103)	-	3,103	-
At 31 December 2023	**747**	**1,490**	**4,504**	**6,741**
Depreciation and amortisation				
At 1 February 2023	-	(114)	-	(114)
Charge for the year	-	(46)	(81)	(127)
At 31 December 2023	**-**	**(160)**	**(81)**	**(241)**
Net book value				
At 1 February 2023	3,103	1,028	-	4,131
At 31 December 2023	**747**	**1,330**	**4,423**	**6,500**

7. Debtors

Debtors are analysed as follows:

	As at 31 December 2023 £000	As at 31 January 2023 £000
Gross trade debtors net of provision	**579**	560
Amounts due from group undertakings	**42**	-
Prepayments and accrued income	**1,559**	1,572
Other debtors	**63**	-
Total debtors	**2,243**	2,132

8. Cash and cash equivalents

	As at 31 December 2023 £000	As at 31 January 2023 £000
Cash at bank and in hand (current account)	**1,520**	8,001
Cash at bank (cash deposits)	**5,000**	-
Cash and cash equivalents per cash flow statements	**6,520**	8,001

Notes to the financial statements

9. Pension commitments

The company participates in two pension schemes:

- The Civil Service Pension
- The People's Pension

Income statement

The total pension charge included in the company income statement was as follows:

	11 months to 31 December 2023 £000	10 months to 31 January 2023 £000
Civil Service Pension	**49**	51
The Peoples Pension	**81**	78
Net pension charge recognised within operating profit	**130**	129

The Civil Service pension arrangements, comprise the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (Alpha). Both are unfunded, Defined Benefit (DB), contributory, public service occupational pension scheme made under the Superannuation Act 1972. PCSPS and Alpha are unfunded schemes and the cash required to meet the payment of pension benefits is paid from public funds provided by Parliament. Members contribute on a 'pay-as-you-go' basis. These contributions (and those made by employers) are credited to the Exchequer under arrangements governed by the aforementioned Acts. The Company pays current service contributions as determined by the scheme. The contributions due from employers and employees to fund future service liabilities are set by the Actuary at a four-yearly Scheme valuation. During the year, the company made contributions of £51,290 to this scheme in relation to its current active members.

The Peoples Pension is a defined contribution scheme, with approved mastertrust status from the pension regulator to meet auto enrolment legislation requirements. During the year, the company made contributions of £81,650 to this scheme in relation to its current active members.

Notes to the financial statements

10. Creditors

	As at 31 December 2023 £000	As at 31 January 2023 £000
Amounts falling due within one year:		
Trade creditors	**680**	118
Amounts due to related parties (see note 15)	**329**	130
Corporation Tax	**16**	285
Other Tax and social security	**42**	226
Other creditors and accruals	**1,727**	2,434
Total amounts falling due within one year	**2,794**	3,193
Amounts falling due in more than one year:		
Other creditors and accruals (MOD lease)	**8,678**	8,713
Total amounts falling due in more than one year	**8,678**	8,713

11. Capital

No additional ordinary shares were issued during the year.

Share capital

Allotted, called up and fully paid	As at 31 December 2023 £000	As at 31 January 2023 £000
5,000,000 ordinary shares of £1 each	**5,000**	5,000
	5,000	5,000

12. Leases

Company as lessor

During the year, £1,500,000 was recognised as rental income by the Company in respect of land leased between Solent Gateway Limited and the Ministry of Defence.

The following table sets out a maturity analysis of lease payments to be received, showing the undiscounted lease payments to be received after the reporting date:

	As at 31 December 2023 £000	As at 31 January 2023 £000
Less than one year	**1,800**	1,800
Between one and five years	**-**	1,500
	1,800	3,300

Notes to the financial statements

12. Leases (continued)

Company as lessee

Non-cancellable operating lease rentals are paid as follows:

	As at 31 December 2023 £000	As at 31 January 2023 £000
Less than one year	**1,925**	1,938
Between one and five years	**8,117**	7,926
More than five years	**55,702**	57,880
	65,744	67,744

During the financial period to 31 December 2023, £2,288,792 was recognised in the income statement in respect of operating leases (Period to 31 January 2023: £3,042,833).

13. Contingent liabilities

Contingent rental payments are payable to the MoD when the company is profitable in the contract year (Year ended 30 November). Under the terms of the concession agreement, the timing of the payment of the contingent rent depends upon the level of profit before tax generated in any concession year and any underpayment of contingent rent compared to the annual payment set out in the concession agreement is considered a shortfall which may become payable in future years contingent upon the level of profit before tax. The current value of this shortfall contingent rent is £7.7m (period to 31 January 2023: £7.0m).

Based on the profit for the contract year ended 30 November 2023, the value of the contingent Rent payment has been calculated as £0.2m (period to 31 January 2023: £1.3m) being the adjusted profit of the Company 75% of (profit before interest and tax less guaranteed rental payments) within the contract year, this was charged to profit and loss in the current year.

The Port is about to undergo a major development programme, which is likely to result in an increased likely hood that the contingent liability may crystalise over the next 5 years.

14. Financial commitments

At the 31 December 2023, SGL contracted to spend £18.8m on the development of the port. In the period to 12 September 2024 a further £3.5m was contracted.

Notes to the financial statements

15. Related party transactions

Identity of related parties with which the Company has transacted:

	11 months to 31 December 2023 £000	**10 months to 31 January 2023 £000**
Commercial services		
GBA (Holdings) Limited	**-**	240
Technical services		
CalMac Ferries Limited	**-**	(271)
David MacBrayne HR (UK) Limited	**-**	(36)
GBA (Holdings) Limited	**-**	(84)
Associated British Ports	**(1,133)**	-
ABP Marine Environmental Research Limited	**(17)**	-

Amounts due at end of year – receivable/(payable):

	11 months to 31 December 2023 £000	**10 months to 31 January 2023 £000**
GBA (Holdings) Limited	**-**	(130)
Associated British Ports payable	**(329)**	-
Associated British Ports receivable	**42**	-

Since 1st February 2023, Associated British Ports has provided technical services to Solent Gateway, and in addition for more specific marine services, ABP Marine Environmental Research Limited has provided technical services.

On 15th December 2023, the company entered into a related party loan agreement with Associated British Ports Holdings Limited, the company's immediate parent undertaking. This is a committed facility for £100m, £17.0m has been draw down as at 12 September 2024.

SGL joined the ABP Acquisitions Security trustee by signing the Deed of Accession which was countersigned by Deutsche Bank, relating to the floating rate charge agreement.

16. Holding company and ultimate controlling parties

The company is a private company limited by shares registered in England and Wales. Its immediate parent undertaking is Associated British Ports Holdings Limited.

Its intermediate parent undertaking is ABPA Holdings Limited ("ABPAH"). ABPAH produces IFRS consolidated financial statements that are available from its registered office at 25 Bedford Street, London, WC2E 9ES. The consolidated financial statements of ABPAH are the smallest group in which the company is included.

The ultimate parent undertaking and controlling party is ABP (Jersey) Limited ("ABPJ"), a limited liability company registered in Jersey. ABPJ produces consolidated financial statements that comply with IFRS and are available from its registered office at 44 Esplanade, St Helier, Jersey, JE4 9WG. The consolidated financial statements of ABPJ are the largest group in which the company is included.

Notes to the financial statements

16. Holding company and ultimate controlling parties (continued)

ABPJ is owned by a consortium of investors as shown below:

2023	% of A Ordinary shares	% of B Ordinary shares	% of Preference shares
Borealis ABP Holdings B.V. (owned by OMERS Administration Corporation)	22.10	22.10	22.09
Borealis Ark Holdings B.V. (owned by OMERS Administration Corporation)	7.90	7.90	7.91
CPP Investment Board Private Holdings (6) Inc. (owned by Canada Pension Plan Investment Board)	30.00	33.88	33.88
9348654 Canada Inc.	3.88	-	-
Cheyne Walk Investment Pte Limited (owned by GIC (Ventures) Pte Limited)	20.00	20.00	20.00
Wren House Infrastructure LP (controlled by Kuwait Investment Authority)	10.00	10.00	10.00
Anchorage Ports LLP (owned by Federated Hermes Diversified Infrastructure Fund LP, Hermes Infrastructure Fund I LP[1] and Hermes Infrastructure (Alaska) LP)	6.12	6.12	6.12
	100.00	**100.00**	**100.00**

17. Corporate information

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