PORT OF LONDON AUTHORITY

Annual Report & Accounts 2012

Contents

Trade and financial highlights

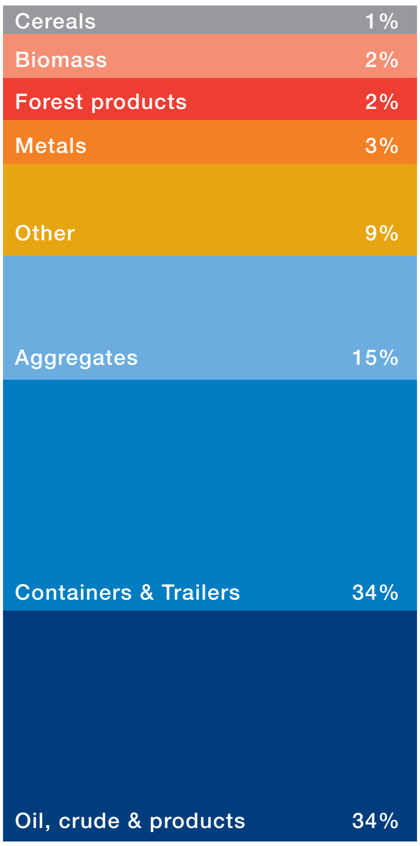
for the year ended 31 December 2012

Trade – million tonnes	2012	2011
Imports	36.3	40.8
Exports	7.4	8.0
Total	43.7	48.8

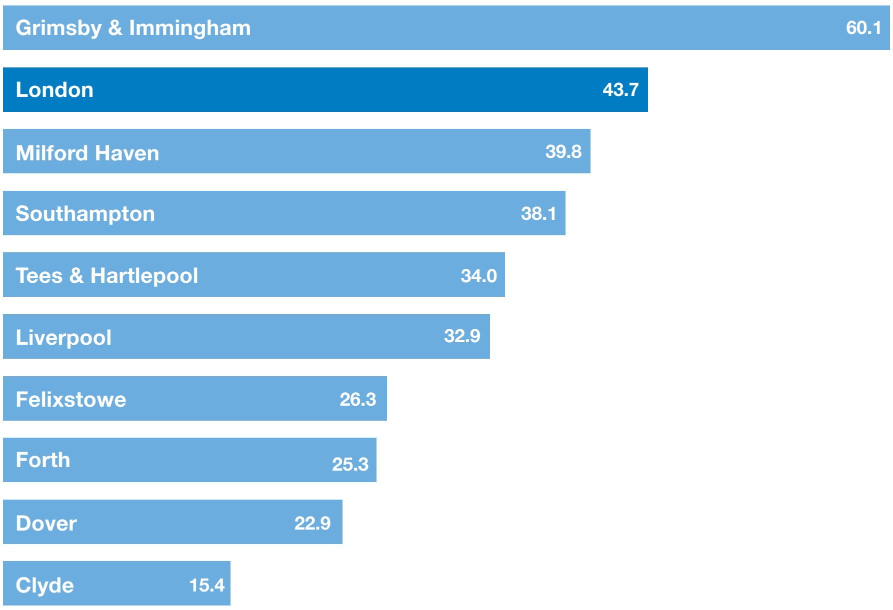
Unitised Traffic Thousand TEUs – (included in above tonnages)	2012	2011
Imports	958	954
Exports	941	978
Total	1,899	1,932
Number of chargeable vessel arrivals to the Port of London	8,736	9,396

Financial Highlights £m	2012	2011
Turnover	46.4	46.5
Operating profit	6.5	5.7
Net cash inflow from operating activities	1.9	4.4

London Trade 2012



UK Port Traffic 2012*



* Source: Department for Transport

Members of the Authority
as at 9 April 2013

Dame Helen Alexander, DBE

Dame Helen Alexander joined the Board in 2009 and became chairman of the Port of London Authority (PLA) on 1 January 2010.

She is also chairman of UBM plc and Incisive Media. She is also deputy chairman of esure Group Holdings, a non-executive director of Rolls-Royce Group plc, and senior adviser to Bain Capital. Dame Helen was president of the Confederation of British Industry (CBI) until June 2011. Helen is Chancellor of the University of Southampton.

She is currently involved with other not-for-profit organisations in media, the internet, the arts and education. She was chief executive of the Economist Group till 2008, having joined the company in 1985.

J F Mills, CBE

John Mills was appointed as a non-executive member of the Board in 2008, and as vice-chairman in 2009. He brings to the Board a wide experience of the public sector, where he held a variety of senior positions including as a member of the Prime Minister's Policy Unit, as a county council chief executive and as a director in Whitehall. He also spent several years as head of the civil service in Jersey, where he still resides.

Other non-executive roles include Commissioner of the Jersey Financial Services Commission and deputy chairman of the Jersey Harbours and Airport Board. He is also a trustee of Jersey's two public sector pension funds and an income tax commissioner of appeal in the Island. Since 1999 he has been chairman of the governing body and trustees of Highgate School, London.

R L Everitt

Richard Everitt joined the PLA in December 2004 and was appointed chief executive from 1 January 2005. After qualifying as a solicitor in 1974, he spent four years in private practice before joining BAA, the airports company, in 1978. Following the privatisation of BAA in 1987, he joined the board in 1991 as director responsible for strategy and regulatory matters. He resigned from the BAA board in 2001 to become chief executive of National Air Traffic Services on its part privatisation, leaving in 2004. He is a director of Estuary Services Limited and Port of London Properties Limited, formerly chairman of the United Kingdom Major Ports Group and non-executive chairman of Air Partner plc.

Commander D G Phillips, MVO

David Phillips was appointed as chief harbour master in October 2011. He is responsible for all operational and navigational matters including vessel traffic management, hydrography, harbour services, port security and navigation systems. David joined the PLA as deputy harbour master (Upper) in November 2007 and was promoted in July 2009 to the post of harbour master (Upper). Before joining the PLA, David was director of marketing and maritime at the Defence Manufacturers Association. His previous career saw him serving in the Royal Navy as a specialist navigator and submarine captain.

B Chapman

Brian Chapman, chief financial officer, was appointed an executive member of the PLA in September 2001 prior to which he spent many years in the food industry. His post prior to joining the PLA was as finance director of United Milk plc, and previously he was regional finance director for the consumer products arm of the New Zealand Dairy Board. As chief financial officer he is responsible for the accounting function, pensions, information services, insurance and property. He is a director of Estuary Services Ltd, Port of London Properties Limited, an alternate director of UK Major Ports Group and a trustee of a number of pension funds.

R D Crighton

Bob Crighton joined the PLA in April 2007 as secretary to the Board and general counsel. Bob was in the Royal Navy for 20 years, serving at sea in a variety of ships, also within the Ministry of Defence as secretary at admiralty board level. In 1982 he was called to the Bar by Middle Temple, and upon joining the international law firm Clyde & Co in 1989, he also qualified as a solicitor. He is a maritime law specialist and has represented a number of leading ports, ship owners and their underwriters around the world.

A keen sailor, he is a member of the Employed Barristers' Committee of the Bar Council and company secretary of Port of London Properties Ltd.

Members of the Authority

9 April 2013

W Everard, CBE

William Everard joined the Board as a non-executive member in July 2008, and brings to the authority over 40 years' experience of the shipping and marine industries. Much of that time was spent working for the family shipping company, F T Everard & Sons Ltd, as a result of which he was elected president of the Chamber of Shipping. He maintains his links with the maritime industry through his work with Bureau Veritas and Lloyd's Register, and his contribution to shipping was recognised by the award of the CBE in 2006. He is a member of the council of the RNLI, warden of the Worshipful Company of Shipwrights, director of both the Shipowners Protection and Indemnity Association and Holyhead Boatyard.

R Lenthall

Rodney Lenthall joined the PLA Board in January 2009. He has had a lifetime career in the shipping industry having initially been at sea with the British & Commonwealth Group followed by command of vessels within the Ocean Inchcape fleet in the North Sea. On coming ashore, he subsequently became chief executive of O.I.L. Ltd, chairman of Cory Towage Ltd, and, ultimately, a main board director of its parent company, Ocean Group PLC. On leaving Ocean Group in 1998, Mr Lenthall has been involved in a number of maritime related businesses including The Shipowners P&I Association (Luxembourg).

A keen sailor, Rodney Lenthall is a member of the Company of Master Mariners, founder member and fellow of the Nautical Institute, a liveryman of the Company of Shipwrights and chairman of governors of the London Nautical School.

S Steedman, CBE

Scott Steedman was appointed as a non-executive member of the Board in December 2009. A civil engineer by background, Scott spent twenty years working in industry for consulting and contracting companies on major infrastructure and building projects around the world. He is director of standards and on the board of the BSI Group where he is responsible for the UK's National Standards Body and for representing the UK in international standards matters. He was elected vice president policy for the European Committee for Standardization (CEN) in November 2012. He is a former vice-president of the Royal Academy of Engineering and of the Institution of Civil Engineers and continues to be editor-in-chief of Ingenia, the Royal Academy's flagship magazine.

A J Quinlan

Tony was appointed as a non-executive member of the Port of London Authority Board in March 2012; he is chairman of the audit committee.

A chartered accountant, Tony qualified with Coopers & Lybrand before joining Marks & Spencer in 1992, where he held a number of senior finance positions. He was the group's director of investor relations from 2000 before taking up the position of director of finance, the deputy to the group finance director, in 2005. In 2008, Tony joined Drax Group plc as group finance director, a position he currently holds.

Board and committees

as at 9 April 2013

The PLA Board comprises a Chairman and up to three non-executive members appointed by the Secretary of State for Transport, and up to four non-executive members appointed by the authority. The authority may also appoint up to four executive members. There were nine members of the PLA Board as at 9 April 2013.

There are six committees of the Board. Membership of the Board and committees as at 9 April 2013 is listed below:

Board Members

Chairman
Dame Helen Alexander (N*, R*)

Vice Chairman
J F Mills, CBE (A, L*, N, C*, R)

Non-executive members
W D Everard, CBE (A, R, P*)
R D M Lenthall (L, C, P)
A J Quinlan (A*)
R S Steedman, CBE (L, P)

Executive members
B Chapman (Chief Financial Officer) (P)
R L Everitt (Chief Executive) (L, C, P)
D G Phillips, MVO (Chief Harbour Master) (L)

Secretary to the Board
R D Crighton MCMI, Barrister

Note: committee chairmen are denoted by (*)

Committees of the Board

Audit Committee (A)

Licensing Committee (L)

Nominations Committee (N)

Remuneration Committee (R)

Pensions Committee (P)

Charitable Donations Committee (C)

(Note: the PLA chairman and vice chairman are ex-officio members of any Committee of the Board of which they are not already a member)

Management Executive Committee

Chief executive
R L Everitt

Chief financial officer
B Chapman

Chief harbour master
D G Phillips, MVO

Director of corporate affairs
A F Gale

Director of human resources
G W Witham

Director of marine operations
P Steen

Secretary and general counsel
R D Crighton

Chairman's statement

The Thames shone on the world stage in 2012. It hosted, first, the Queen's Diamond Jubilee River Pageant and then, some six weeks later, several events around the Olympic Games: from the many vessels arriving to moor, and the passenger services to riverside Games venues, to the final leg of the Torch Relay. Set against this was a decline in port trade, which fell in line with challenging economic times.

River use

The River Pageant to mark the Diamond Jubilee was the biggest single event ever to take place on the Thames. The river today is constrained with bridges, piers and other infrastructure, so the pageant posed an unprecedented challenge for the PLA and the wider river community. There were two years of planning, co-ordination with partners, selection of 1,000 vessels, checking them on arrival and marshalling them into position ahead of the event; this drew on our collective experience, resources and, at times, ingenuity. We were proud to welcome all the vessels and their crews to London, even prouder that they were safe through the event and that everyone headed safely home.

More than six million passenger journeys were made on the river during 2012. Many people were encouraged to take their first trips on the river to reach riverside Olympic venues. They enjoyed improvements to the key Tower and Greenwich piers, completed by early summer, and special services operated by the main passenger boat companies on the days of events at the riverside venues. Many people were also able to enjoy unique views of the Thames from the new Cable Car which opened in June.

Port trade fell during the year by five million tonnes to 43.7 million tonnes, a decline of more than 10%. The principal reason for this was the closure of the Coryton oil refinery, which in 2011 had handled more than 10 million tonnes of cargo. Following the closure, some of the refined oil products were handled at other river terminals, but the overall volume of oil-related cargoes was markedly reduced.

Volumes of most other cargoes handled in the port were also lower than in 2011; only tonnages of unitised cargoes, cereals and biomass were higher than the year before. Unitised cargoes increased by 2% to 14.8 million, cereals recovered to 739,000 tonnes, a 35% increase, and 794,000 tonnes of biomass was handled – a new cargo for the RWE npower trial at Tilbury Power Station.

Developments with inland waterways freight were very positive last year. The quantity of goods being handled rose by more than 60% to 3.3 million tonnes as long-planned use of the river for major infrastructure projects started in earnest. By the end of the year Crossrail had started its major tunnelling drives and spoil was being transported by river from Northfleet to Wallasea Island; operations at the Limmo site, just east of the Isle of Dogs, were also set to start. Thames Water too has been making extensive use of the river to service the Lee Tunnel project, which means that Bow Creek is being used now as much as it was in its heyday of the 1960s.

More trained people will be needed to make the most of the increasing demand to use the river. We are working as a founder member of the Thames Training Alliance to ensure that there is a growing number of trainees coming on to the river who have support and a clear path for their professional development.

Safety on the river can be improved; it's something we're working hard to support as the river gets busier. In 2012 there were 38 navigational incidents of note, eight more than the preceding year. That's why our navigational safety team works with river users, to improve safety for vessels and operations. During 2012, we removed the requirements that were no longer relevant, and simplified and updated others to make the most of new technologies. This work was complemented by improved training for crews working on the river and new vessel standards, such as those for Thames freight vessels, that we developed in conjunction with industry and the Maritime & Coastguard Agency.

Finances

The underlying operating profit was £2.9m in 2012, after allowing for a £3.6m actuarial reduction to a provision for historic liabilities. The 2011 operating profit was £5.7m.

Turnover fell by 0.3%. The loss of revenue from the closure of Coryton oil refinery was partially offset by income from the use of PLA moorings during the Olympics, assistance given to the Oikos terminal at Canvey during the re-building of their jetty and the continued use of a PLA launch during the Blackfriars Bridge project. These one-offs are not expected to recur.

After allowing for additional costs relating to the Olympics and one-off redundancy costs, underlying operating expenditure rose by 3.1%. The redundancies were necessary to rebase costs in the post-Coryton era.

Chairman's statement

The legal process to agree the structure of the deficit repair of the Pilots' National Pension Fund (PNPF) was completed during 2012, so our share of the deficit is included in our accounts for the first time. We expect to begin deficit repair payments to the PNPF during 2013. We are also in the process of completing the triennial valuation of our main PLA pension fund. We continued to contribute to the deficit repair for this fund in accordance with the recovery plan and also paid an additional £2.5m during the year.

In the short term the financial outlook for the PLA is governed by the lower levels of port trade. Our income should improve as and when trade starts to pick up, in line with the UK economy and completion of investment projects on the river. Funding pension deficit repairs is expected to be a significant financial draw on the organisation for the foreseeable future.

Our prospects

Long-term prospects for port trade remain strong, although we have concerns that growth may be limited in the immediate future, principally as a result of trends in the UK and global economies.

The Thames is fundamentally important as an artery to the main markets in the UK. That is why DP World committed to invest £1.5 billion in the new London Gateway port and also why Vopak, Shell and Greenergy will be redeveloping the Coryton oil refinery site as an oil products terminal. Operations will start at both sites this year. Others investing on the river include the Port of Tilbury, both in its London Container Terminal and London Distribution Park, and Stolt Neilsen at their newly-acquired Dagenham liquid bulk storage facility.

We, at the PLA, do all we can to support growth, investment and job generation on the river. For example, we provide expert marine advice on new projects, model marine operations in our ship's bridge simulator and supply marine services such as diving, laying moorings and providing navigational aids.

We are concerned that there is a risk to investment and growth on the river if 58 miles of the tidal Thames is designated as a Marine Conservation Zone (MCZ). This would add costs for existing operations and potentially substantial extra costs for new infrastructure developments including London Gateway, the Thames Tunnel, and the Thames Estuary 2100 flood defence works. We welcome the Government's economic and social realism, and genuine economic/environmental balance, in requiring that the proposals for a Thames MCZ are studied further in the light of these considerations.

Looking beyond port trade, we share the Mayor of London's goal to double the number of annual passenger journeys on the river from six to twelve million by 2020. The improved piers, more people who have used river transport for the first time, and the arrival of new vessels will be important catalysts for future growth in passenger traffic on the Thames. As part of the River Concordat we continue to work towards this goal.

The summer of 2012 underlined the importance of sporting and leisure pursuits. We are echoing this in changes we have made, creating a new Assistant Harbour Master's role, supporting recreational navigators to enjoy the river in safety. His increasing engagement with rowing, sailing and paddling clubs along the river should help the sportsmen and women of the future.

Our people

We are privileged to have some 345 skilled and committed people in the PLA today. For many of them the highlight of the year was the part they played in the Queen's Diamond Jubilee Pageant, whether shepherding the 1,000-strong flotilla down the river, working at our base at the Thames Barrier Navigation Centre or keeping business as usual going in the UK's second largest port. The award of the Member of the Victorian Order to our chief harbour master, David Phillips, was great recognition of the PLA collective efforts around the Pageant.

On behalf of the Board I want to thank them all for everything achieved in 2012, and for the work they continue to do for river users.

Dame Helen Alexander
Chairman
9 April 2013

Report of the Board

The Port of London Authority's (PLA) vision is to maintain a vibrant, safe and sustainable river; its mission is to be a leading harbour and pilotage authority.

The PLA aims to ensure the safe and sustainable use of the river and of the port, supporting growth in freight and passenger traffic and promoting the enjoyment of the Thames for leisure, tourism, sport and amenity.

To achieve that aim, the PLA's strategic priorities focus upon:

- The safety of navigation on the river
- Conserving the environment of the river
- Supporting the development of the use of the river
- Partnership with river users and accountability to stakeholders

Constitution and Principal Activities

The authority is charged with taking such action as is necessary for the improvement and conservancy of the tidal Thames. To discharge this duty the PLA works to facilitate navigational safety through a range of activities including: pilotage; operating a Vessel Traffic Service; undertaking hydrographic surveys; carrying out dredging and providing aids to navigation. We manage safety of navigation on the tidal Thames in accordance with the terms of the Port Marine Safety Code (Department for Transport, update published December 2012). The PLA's other responsibilities include security, managing aspects of the Thames environment and promoting the use of the tidal Thames for trade, leisure and pleasure.

The PLA aims to cover its costs from the charges levied for the services it provides, including conservancy, pilotage and fees for river works licences. Income is also derived from providing hydrographic and marine services to third parties.

The PLA is a self-financing corporation constituted under the Port of London Act 1968 (the Act) as subsequently amended by other Acts and Harbour Revision Orders, the latest being in 2005.

Business Review

The PLA's principal sources of income are related to the movement of ships carrying cargo to and from facilities along the tidal Thames. The financial health of the business is therefore closely linked to the level of maritime trade on the river.

The terminals on the Thames make up the Port of London. Levels of activity in the port are affected by the current tough business environment, but this is ameliorated to some degree by the diverse range of cargoes handled at the numerous terminals on the river. The closure of the Coryton oil refinery markedly reduced river trade this year. Nevertheless, oil and oil products remain the port's largest single cargo category; significant volumes of unitised traffic, building materials, cars, agricultural products and metals are also handled.

Financial results

The underlying operating surplus was £2.9m in 2012, after allowing for a £3.6m actuarial reduction to a provision for historic liabilities. The 2011 operating surplus was £5.7m. Further detail on financial performance is provided in the Chairman's Statement on pages 5 and 6. The PLA's liability in the Pilots' National Pension Fund is now included in these Accounts; its effect was a loss disclosed in the Statement of Total Recognised Gains and Losses of £13.8m and a deficit on the balance sheet of £14.3m.

Governance

The Board is committed to maintaining the highest standards of corporate governance. It follows the precepts of the Combined Code, where appropriate. The chairman is responsible for the Board's operation, leadership and governance, ensuring that it operates effectively whilst providing appropriate challenge to management.

The Board regularly receives detailed financial and operational information to allow it to monitor the key areas of the business effectively. It also receives briefings from senior managers on various aspects of the PLA's work. From time to time, Board members meet with and visit the principal stakeholders to understand and keep abreast of their concerns, objectives and requirements of the PLA.

Six committees of the Board oversee specific elements of the business and report back as needed. The committees are:

- Audit Committee
- Licensing Committee
- Nominations Committee
- Remuneration Committee
- Pensions Committee
- Charitable Donations Committee

There were six meetings of the PLA Board in 2012; members attended as follows:

Dame Helen Alexander, DBE	6
B Chapman	6
R L Everitt	6
W D Everard, CBE	6
R D M Lenthall	6
P J Matthews, OBE (Retired 28/02/12)	1
J F Mills, CBE	5
D G Phillips, MVO	6
A J Quinlan (Appointed 01/03/12)	5
P K Sarwal (Retired 31/05/12)	3
R S Steedman, CBE	6

Biographies of Board members can be found in the section, Members of the Authority, starting on page 2.

Report of the Board

The following committees of the Board also met during 2012 (number of meetings in brackets):

Audit	(3)
Remuneration	(1)
Pensions	(3)
Charitable Donations Committee	(1)

The nominations and licensing committees, though fully constituted, did not meet during 2012.

Appointment of Board members

The port authority comprises a chairman and up to three non-executive members appointed by the Secretary of State for Transport, and up to four non-executive members appointed by the authority. The authority may also appoint up to four executive members.

A formal, rigorous and transparent process is followed during the selection and appointment of new Board directors, all of whom receive a comprehensive induction, tailored to meet their individual needs.

Risk and risk management

Risk management and control is an integral part of corporate governance; the Board takes the management of risk very seriously.

The PLA has established integrated processes and a common language to develop a clear understanding of how risk should be assessed, managed and controlled within acceptable tolerances. While the Board has overall responsibility for setting risk management strategy, it is the responsibility of executive management to implement and embed risk management and internal controls. Appropriate assessment and management of risk is integrated in business planning, project management and investment decisions.

Navigational safety management is founded on the identification of navigational hazards, assessment of the consequent risks and their mitigation. It is the PLA's principal focus. The PLA uses a Safety Management System to undertake this aspect of its work as is required by the Department for Transport's Port Marine Safety Code.

In common with other employers offering a defined benefit pension scheme, one of the principal financial risks the PLA faces is from potential deficits through improved pensioner longevity and uncertainty in the financial markets. Steps are being taken to control the PLA's exposure to this increasing liability.

In addition to the operational risks addressed by any on-going business, the PLA faces a number of 'legacy' risks resulting from its previous role as dock owner and operator. We continue to work on meeting these liabilities.

An additional pension scheme risk arises from the Pilots' National Pension Fund (PNPF). Pilotage services were transferred from Trinity House to the relevant ports including the PLA in 1988. Pilots have been at liberty to join either the PLA's pension scheme or the PNPF since that date; the majority of PLA pilots have opted to join the authority's scheme such that all PLA pilots are now members of the PLA's own scheme. There remains however a significant past service deficit in the PNPF. The PNPF trustees have adopted a growth focused investment strategy and have also engaged with the employers' association to find an appropriate method of repairing the deficit which has arisen. With the Court now having determined certain issues, and after protracted negotiation, the PLA's percentage share of the deficit has been determined but the quantum of the liability will depend on the outcome of each triennial valuation.

Diversity and Inclusion

The PLA recognises the importance and value of diversity and inclusion. We are committed to creating and maintaining an environment that enables all our staff to contribute to their full potential; promoting the inclusion of others with diverse backgrounds, experiences and treating everyone with dignity and respect. All Board appointments are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

Our employment policies and practices reflect a culture where decisions are made on the basis of individual capability and potential in relation to the needs of the business. The PLA's Equality and Diversity policy addresses discrimination, victimisation, harassment and bullying, together with guidance on monitoring, review and management of policy breaches.

Stakeholders Forum (equivalent to an Annual General Meeting)

The PLA is committed to open communications with its stakeholder community. Consistent with guidance from the Department for Transport in 'Modernising Trust Ports' (August 2009), the PLA holds an Annual Stakeholders' Forum, where invited representative stakeholders with a direct interest in the river have an opportunity to meet, hear from and challenge the Executive and Board. A number of open Public Meetings and River Users Consultative Forums are held, giving stakeholders further opportunity for dialogue with the PLA.

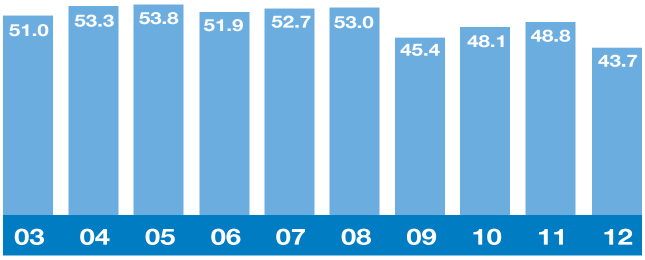
Provision of information to auditors

All current members confirm that, to the best of their knowledge, all relevant information has been provided to the auditor to prepare this report. Each member has taken all the steps which they are obliged to take as a member of the Board to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

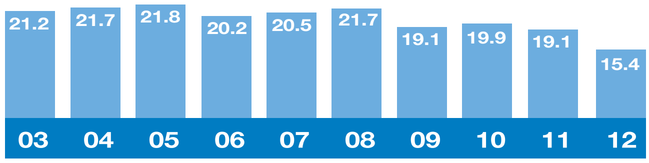
Robert D Crighton, Secretary
By Order of the Board
9 April 2013

Trade statistics

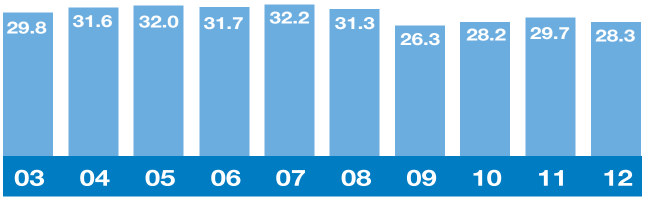
Port of London Total Traffic
Million tonnes



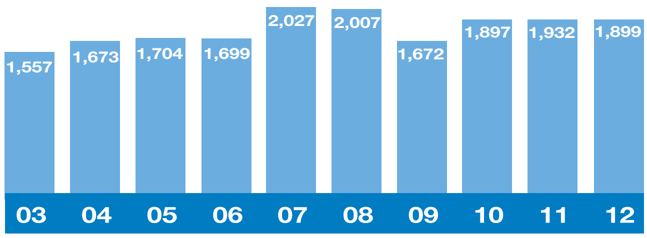
Port of London Fuel Traffic
Million tonnes



Port of London Non-fuel Traffic
Million tonnes



Port of London Unitised Traffic
Thousand TEUs



Port Of London Total Traffic	Imports million tonnes		Exports million tonnes		Total million tonnes	
	2012	2011	2012	2011	2012	2011
Oil, crude & products	13.4	17.1	1.2	1.9	14.6	19.0
Containers & trailers	10.6	10.5	4.2	4.0	14.8	14.5
Aggregates	6.7	8.1	0.0	0.0	6.7	8.1
Other cargo	2.9	3.1	0.9	1.2	3.8	4.3
Forest products	1.1	1.2	0.0	0.0	1.1	1.2
Biomass	0.8	0.0	0.0	0.0	0.8	0.0
Metals & ores	0.4	0.5	0.8	0.7	1.2	1.2
Cereals	0.4	0.3	0.3	0.2	0.7	0.5
Total	**36.3**	**40.8**	**7.4**	**8.0**	**43.7**	**48.8**

The above figures exclude the transport of refuse and other internal port traffic.

Unitised Traffic (included in the above tonnages)	Imports 000 20-foot equivalent units		Exports 000 20-foot equivalent units		Total 000 20-foot equivalent units	
	2012	2011	2012	2011	2012	2011
Ro/Ro terminals (trailers & containers)	493	515	486	526	979	1,041
Container terminals	465	439	455	452	920	891
Unitised Total (TEUs)	**958**	**954**	**941**	**978**	**1,899**	**1,932**

Consolidated Profit & Loss Account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover including share of joint venture		46,396	46,546
Less: share of joint venture		610	599
Turnover excluding share of joint venture	2	45,786	45,947
Operating expenditure	2	39,664	40,435
Operating profit excluding joint venture	2, 4	6,122	5,512
Share of operating profit of joint venture		362	170
Operating profit including joint venture		6,484	5,682
Net interest	7	(17)	(306)
Other financial (costs) / income	26a	(71)	623
Profit on ordinary activities before taxation		6,396	5,999
Taxation	8	(593)	(1,847)
Profit for the financial year	20	**5,803**	**4,152**

All results are in respect of continuing activities.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

Consolidated Statement of Total Recognised Gains and Losses (STRGL)

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Profit for the financial year		5,803	4,152
Actuarial loss on PLA pension schemes	26a	(27,906)	(33,503)
Share of actuarial loss on Pilot's National Pension Fund	26b	(13,801)	0
Current UK corporation tax on defined benefit pension schemes		671	669
Movement in deferred tax relating to defined benefit pension schemes	14	4,130	171
		(31,103)	(28,511)
Share of actuarial loss on joint venture defined benefit pension scheme (net of tax)	11	(317)	(500)
Total recognised losses relating to the year		(31,420)	(29,011)

The PLA also has an unrecognised loss of £962,000 for the year ended 31 December 2012 (2011 loss of £726,000) in relation to a pension scheme which has an irrecoverable surplus (see note 26a)

Balance Sheets
as at 31 December 2012

		Consolidated		PLA	
	Notes	**2012** £000	**2011** £000	**2012** £000	**2011** £000
Fixed assets					
Intangible assets	9	247	254	247	254
Tangible assets	10	28,916	27,128	28,916	27,128
Investments	11	0	0	2	2
Joint venture:-					
Share of gross assets		1,219	1,218	0	0
Share of gross liabilities		(231)	(312)	0	0
Share of pension deficit		(954)	(838)	0	0
	11	34	68	0	0
		29,197	27,450	29,165	27,384
Current assets					
Stocks		179	169	179	169
Debtors – amounts due less than and more than one year	15	20,913	20,095	7,988	7,169
Liquid resources		31,000	35,000	26,252	29,707
Cash and bank balances		6,172	4,070	6,172	4,070
		58,264	59,334	40,591	41,115
Current liabilities					
Creditors: amounts falling due within one year	16	5,878	5,503	5,817	5,479
Net current assets		52,386	53,831	34,774	35,636
Total assets less current liabilities		81,583	81,281	63,939	63,020
Creditors: amounts falling due after more than one year	17	2,048	2,507	2,048	2,507
Provisions for liabilities and charges	18	14,240	17,439	14,240	17,439
		16,288	19,946	16,288	19,946
Net assets excluding pension deficits		65,295	61,335	47,651	43,074
Pension deficit					
PLA defined benefit pension scheme deficits	26a	(68,717)	(47,677)	(68,717)	(47,677)
Share of Pilot's National Pension Fund deficit	26b	(14,340)	0	(14,340)	0
Net (liabilities) / assets including pension deficits		(17,762)	13,658	(35,406)	(4,603)
Reserves					
Profit and loss account	20	(17,762)	13,658	(35,406)	(4,603)

These financial statements, which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and PLA balance sheets, the consolidated cash flow statement and the related notes were approved by the Board of Members on 26 March 2013 and were signed on its behalf on 9 April 2013 by:-

Dame Helen Alexander
Chairman

R L Everitt
Chief Executive

B Chapman
Chief Financial Officer

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	Notes	2012 £000	2012 £000	2011 £000	2011 £000
Net cash inflow from operating activities	21		1,946		4,429
Returns on investment and servicing of finance					
Interest received		496		251	
Interest paid		(6)		0	
Net cash inflow from returns on investments and servicing of finance			490		251
Taxation					
UK Corporation tax paid		(260)		(1,742)	
			(260)		(1,742)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(4,437)		(2,522)	
Sale of tangible fixed assets		44		267	
Net cash outflow from capital expenditure and financial investment			(4,393)		(2,255)
Net cash (outflow) / inflow before use of liquid resources and financing			(2,217)		683
Management of liquid resources					
Decrease / (increase) in short term investments			4,000		(10,109)
Increase / (decrease) in cash in the year	22		1,783		(9,426)

Notes to the Accounts

for the year ended 31 December 2012

1. Principal Accounting Policies

These financial statements have been prepared on the going concern basis and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently unless indicated to the contrary, is set out below.

(a) Basis of accounting

The accounts are prepared on the historical cost basis of accounting.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the PLA and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for the PLA as permitted by section 408 of the Companies Act 2006.

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method. Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

In the parent company financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value.

(c) Provisions for liabilities and charges

The PLA continues to receive claims which relate to the time during which it operated docks and was involved in cargo handling. An actuarial estimate as at 31 December 2012 of the duration, number and value of these claims has been made and fully provided for in the financial statements on the basis of a discounted value using a risk free rate based on the Bank of England's government liability yield curve spot rate in 2012 of 4% (2011 4%). It is expected that the provision will be utilised over a period of around 30 years. See note 18.

Increases in the provision as a result of discounting are recognised as an interest expense in accordance with FRS12.

(d) Turnover

Turnover represents all revenue earned during the period and excludes VAT.

Cargo conservancy charges are recognised as turnover for imported/exported cargo in accordance with the date that the vessel enters the Port limits or departs from a berth. Vessel conservancy charges are recognised as turnover in accordance with the date that the vessel enters or leaves the Port limits. Pilotage income is recognised as turnover on the commencement of a pilotage act. Income from licences granted for river works is recognised as turnover on a straight line basis over the period covered by the licence. Other income is recognised as turnover as the service is provided.

(e) Intangible fixed assets

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible fixed assets are amortised on a straight line basis over the estimated useful economic life of the asset.

(f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense when incurred. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(i) Assets financed by lease agreements are treated as if they have been purchased outright and the corresponding lease commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements with interest charged to the profit and loss account.

(ii) Depreciation is provided on assets other than land on a straight line basis over their estimated useful economic lives; these lives range up to a maximum of 50 years for dredging, river structures and buildings, 30 years for floating craft and between 3 and 50 years for plant and equipment.

(g) Stocks

Stocks, which consist of spare parts and consumable items, are valued at the lower of cost and net realisable value.

(h) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred, which is provided in full under the incremental liability method because of timing differences between the treatment of certain items for taxation and for accounting purposes. Deferred tax assets are recognised to the extent they are regarded as recoverable. Deferred tax balances are not subject to discounting.

Notes to the Accounts

for the year ended 31 December 2012

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the members consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(i) Payments to suppliers

Suppliers are normally paid within 30 days from date of invoice or in accordance with suppliers' terms if different.

(j) Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis.

(k) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date and any resulting exchange differences are dealt with in the profit and loss account. Exchange differences arising on transactions during the year, which are translated at the exchange rate ruling at the date of transaction, are also dealt with in the profit and loss account.

(l) Pensions

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

(m) Liquid resources

Current asset investments comprise of money market deposits with maturity terms up to one year. Such amounts are excluded from cash and bank balances on the balance sheet in accordance with the requirements of FRS1 revised.

Notes to the Accounts

for the year ended 31 December 2012

2. Operating Profit

	2012 £000	2011 £000
Turnover		
Conservancy charges on cargo	6,895	7,730
Conservancy charges on vessels	9,002	9,302
	15,897	17,032
Pilotage (Note 3)	14,576	15,077
River works licences and other rents	6,803	7,121
Services provided	4,559	3,701
Moorings	859	495
Landfill royalties	1,532	1,456
Other revenue	1,560	1,065
	45,786	45,947
Operating expenditure		
Operating payroll	23,824	22,080
Supplies and services	11,798	10,892
Depreciation and amortisation	2,414	2,220
Administration: payroll	3,006	2,996
other	(1,378)	2,247
	39,664	40,435
Operating profit	**6,122**	**5,512**

3. Pilotage

The profit and loss account includes the following relating to pilotage:-	2012 £000	2011 £000
Turnover:-		
providing pilotage services	14,485	15,025
issue of pilotage exemption certificates	91	52
	14,576	**15,077**
Operating expenditure:-		
providing the services of pilots	12,700	12,875
providing, maintaining and operating pilot boats	549	528
administration and other costs	1,661	1,566
legal fees in relation to the PNPF	7	184
	14,917	15,153
Operating loss relating to pilotage	**(341)**	**(76)**

Notes to the Accounts

for the year ended 31 December 2012

4. Operating Profit

Operating profit is stated after accounting for the following:-		2012 £000	2011 £000
Auditors' remuneration	- audit of the financial statements	61	43
	- audit of the group pension schemes	31	29
	- local statutory audit for subsidiary company	4	4
	- taxation services*	20	15
	- all other services	22	4
		138	95
Operating lease rentals	- land and buildings	475	451
	- other	46	50
		521	501
(Profit) / loss on disposal of fixed assets		(7)	(213)
Depreciation	- owned assets	2,407	2,213
Amortisation of intangible fixed assets		7	7

*Included in taxation services is £17,000 (2011 £10,000) relating to the PLA.

5. Employees

Staff costs (including Executive Board Members) during the year were:-	2012 £000	2011 £000
Wages and salaries	19,761	19,432
Social security costs	1,975	1,892
Pensions costs	4,538	3,725
	26,274	25,049
Staff severance	530	0
	26,804	25,049

The average monthly number of persons (including Executive Board Members) employed during the year was:-	2012 Number	2011 Number
Operations	315	310
Administration	49	49
	364	359

6. Board Members' Remuneration

There is a Remuneration Committee of the Board which operates within agreed terms of reference. It is comprised entirely of non-executive Board members.

The Committee determines the remuneration and other conditions of service of the executive members of the Board.

From time to time it also considers proposals regarding senior management remuneration which may be referred to the Committee by the Chairman. The Committee may, and on occasion does, seek advice from independent consultants.

The executive members of the Board make recommendations to the Board in respect of the non-executive members' remuneration.

Notes to the Accounts

for the year ended 31 December 2012

6. Board Members' Remuneration – continued

The following table shows a breakdown of the remuneration for individual Board members:-

	Basic Salary and Fees		Taxable Benefits		Total	
	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £
Executive Members:-						
R L Everitt	185,043*	183,368*	2,227	2,222	187,270	185,590
B Chapman	114,496*	112,688*	2,227	2,222	116,723	114,910
D G Snelson (retired 05.12.11)	0*	103,387*	0	1,653	0	105,040
D G Phillips (appointed 01.10.11)	92,700	23,625	10,085	2,097	102,785	25,722
Non-Executive Members:-						
Dame Helen Alexander (Chairman)	86,000	84,720	0	0	86,000	84,720
J F Mills (Vice Chairman)	33,500	33,010	0	0	33,500	33,010
R S Steedman	24,500	24,000	0	0	24,500	24,000
R D M Lenthall	24,500	24,000	0	0	24,500	24,000
W D Everard	29,250	28,580	0	0	29,250	28,580
A J Quinlan (appointed 01.03.12)	22,344	0	0	0	22,344	0
P K Sarwal (retired 31.05.12)	11,562	27,240	0	0	11,562	27,240
P J Matthews (retired 29.02.12)	4,685	28,580	0	0	4,685	28,580
	628,580	673,198	14,539	8,194	643,119	681,392

Pension entitlement

All executive Board members participate in the PLA's funded defined benefit pension scheme. Under the scheme, members are entitled to a pension based on their service and final pensionable salary subject to Inland Revenue limits. The accrued pension of the highest paid Board member under the funded defined benefit scheme at 31 December 2012 was £18,126 per annum (2011 £14,937).

No pension contributions were made in respect of the non-executive Board members and no pension benefits accrue to them.

* Includes car allowance:

	2012 £	2011 £
R L Everitt	10,000	10,000
B Chapman	8,877	8,863
D G Snelson	0	8,224

7. Net interest

	2012 £000	2011 £000
Interest receivable	677	370
Interest payable	(6)	0
Unwinding of discount on provisions for liabilities and charges (see note 18)	(689)	(678)
	(18)	(308)
Share of joint venture interest:-		
Receivable	1	2
	(17)	(306)

Notes to the Accounts

for the year ended 31 December 2012

8. Tax on Profit on Ordinary Activities

	2012 £000	2011 £000
a. Analysis of charge for the year:-		
Corporation tax at 24.5% (2011 26.5%)	693	1,368
Adjustment in respect of prior years	(245)	(1)
Total corporation tax (Note 8b)	448	1,367
Total deferred tax (Note 14)	72	442
Share of joint venture tax:-		
Corporation tax at 20% (2011 20.25%)	51	18
Deferred tax	22	20
Total joint venture tax	73	38
Total taxation charge to profit and loss account	593	1,847

b. Factors affecting current tax charge for the year:-		
Profit on ordinary activities before taxation	6,396	5,999
Corporation tax thereon at 24.5% (2011 26.5%)	1,567	1,589
Effects of:		
Share of profit of joint venture	(87)	(47)
Disallowable expenditure	136	70
Accelerated capital allowances	34	47
Capital proceeds	(11)	(48)
Prior year adjustment	(245)	(1)
Losses carried back to previous year	240	0
Forward spreading of pension contributions paid	(234)	(253)
Movement in provision for liabilities and charges	(948)	7
Other timing differences	(4)	3
Corporation tax charge for the year (Note 8a)	448	1,367

c. Factors affecting future tax charges

Further reductions in the UK corporation tax rate were substantively enacted during the year. The main rate of corporation tax was reduced from 26% to 24% effective from 1 April 2012. The provision for deferred tax on temporary differences as at 31 December 2012 was calculated at 23%, the corporation tax rate effective from 1 April 2013. The difference from the application of 23% instead of 24% for the three month period to 31 March 2013 is not expected to be material. The effect of further planned reductions to the main rate of corporation tax by 3% to 20% by 1 April 2015 would be to reduce the recognised deferred tax asset by £1,337,000 (2011 £743,000).

The group has capital losses carried forward of £6,246,000 (2011 £6,277,000) that may be available for offset against future capital gains that arise in the group. A deferred tax asset has not been recognised in respect of these losses, in relation to pension liabilities of £47,801,000 (2011 £28,460,000) or in relation to other timing differences of £12,425,000 (2011 £16,294,000) as neither the capital losses, pension liabilities or the timing differences in question satisfy the recognition criteria for deferred tax assets in FRS19 at this stage.

Notes to the Accounts

for the year ended 31 December 2012

9. Fixed Assets – Intangible Assets

Consolidated and PLA	Licences £000
Cost	
At 1 January 2012 and 31 December 2012	330
Amortisation	
At 1 January 2012	76
Charge for year	7
At 31 December 2012	83
Net book value at 31 December 2012	247
Net book value at 31 December 2011	254

PLA has a 50 year licence with effect from 3 July 2000, granted by the Royal Society for the Protection of Birds, to deposit dredging materials on land at Rainham, Essex.

10. Fixed Assets – Tangible Assets

Consolidated and PLA	Land and buildings £000	Dredging £000	River structures £000	Floating craft £000	Plant and equipment £000	Total £000
Cost						
At 1 January 2012	13,469	6,862	10,750	9,857	16,956	57,894
Additions	183	970	43	2,242	794	4,232
Disposals	(40)	0	0	(132)	(268)	(440)
At 31 December 2012	13,612	7,832	10,793	11,967	17,482	61,686
Depreciation						
At 1 January 2012	4,805	3,209	5,062	5,677	12,013	30,766
Charge for year	399	65	402	437	1,104	2,407
Eliminated on disposals	(10)	0	0	(132)	(261)	(403)
At 31 December 2012	5,194	3,274	5,464	5,982	12,856	32,770
Net book value at 31 December 2012	8,418	4,558	5,329	5,985	4,626	28,916
Net book value at 31 December 2011	8,664	3,653	5,688	4,180	4,943	27,128

The net book value of leasehold property held under long leases included in land and buildings above is £58,000 (2011 £58,000).

Notes to the Accounts

for the year ended 31 December 2012

11. Fixed Assets – Joint Venture Investment in Estuary Services Limited

Consolidated	Shares £000	Retained Profit £000	Total £000
At 1 January 2012	2	66	68
Share of profit for year	0	283	283
Actuarial loss on defined benefit pension scheme	0	(317)	(317)
At 31 December 2012	2	32	34

PLA	2012 £000	2011 £000
Shares held at 1 January and 31 December	2	2

The PLA owns, as a long term investment, 50% of the ordinary share capital of Estuary Services Limited, a company incorporated in Great Britain (registered number 02262789), which operates a boarding and landing service for pilots.

During the year the PLA provided administration and management services to Estuary Services Limited for which it charged £134,000 (2011 £131,000) and was charged £2,116,000 (2011 £2,097,000) for boarding and landing services. At 31 December 2012 the PLA owed £180,000 (2011 £163,000) to Estuary Services Limited for unpaid boarding and landing services received.

12. Capital Commitments

Consolidated	2012 £000	2011 £000
Capital expenditure which has been contracted for but which has not been provided for in the accounts	18,472	15,919
PLA		
Capital expenditure which has been contracted for but which has not been provided for in the accounts	18,389	15,553

On 4 January 2010, the PLA entered into an agreement with London Gateway Port Limited who plan to develop the site of the Shellhaven oil refinery into a container port. The project includes channel dredging to a depth of 14.5 metres which will provide a significant benefit to port users. The agreement states that the PLA will contribute up to a maximum of £17m towards dredging, hydrography services and wreck removals if the project goes ahead. The bulk of the £17m contribution will not be payable until after the first container berth opens, currently anticipated to be in quarter 4 2013.

On 19 March 2012, the PLA entered into an agreement with Manor Marine to build a Mooring Maintenance Vessel for £5.9m. Delivery is expected in 2014.

13. Financial Commitments

	2012			2011		
Consolidated and PLA	Land and Buildings £000	Other £000	Total £000	Land and Buildings £000	Other £000	Total £000
Annual commitments under non-cancellable operating leases expiring:-						
Within one year	283	8	291	290	12	302
In the second to fifth year inclusive	70	29	99	57	27	84
Over five years	49	0	49	52	0	52
	402	37	439	399	39	438

Notes to the Accounts

for the year ended 31 December 2012

14. Deferred Tax

Consolidated and PLA	2012 £000	2011 £000
Balance at 1 January	6,193	6,464
Profit and loss account movement for the year (Note 8a)	(72)	(442)
(Charged) / credited to the STRGL	4,130	171
Balance at 31 December	10,251	6,193
Deferred tax comprises:		
Accelerated capital allowances	(693)	(882)
Other timing differences	413	670
Deferred tax excluding that relating to pensions	(280)	(212)
Pension deficits	10,531	6,405
Total deferred tax	10,251	6,193

Of the total deferred tax asset of £10,251,000 (2011 £6,193,000), £10,531,000 (2011 £6,405,000) is included within the net pension liabilities on the balance sheet.

The total deferred tax movement in the year includes a charge of £512,000 (2011 £500,000) as a result of the change in the rate at which deferred tax is recognised from 25% to 23% (2011 27% to 25%). This figure is made up of £4,000 (2011 £4,000) for amounts previously credited to the profit and loss account and £508,000 (2011 £496,000) for amounts previously credited to the STRGL.

15. Current Assets – Debtors

	Consolidated		PLA	
	2012 £000	2011 £000	2012 £000	2011 £000
Amounts due within one year:-				
Trade debtors	5,707	5,414	5,654	5,362
Amounts owed by Port of London Properties Ltd	0	0	6	6
Corporation tax debtor	438	0	440	0
Other debtors	578	525	578	525
Prepayments and accrued income	1,094	992	1,094	992
	7,817	6,931	7,772	6,885
Amounts due after one year:-				
Trade debtors	13,096	13,164	216	284
	20,913	20,095	7,988	7,169

Notes to the Accounts

for the year ended 31 December 2012

16. Current Liabilities – Creditors

	Consolidated		PLA	
	2012 £000	2011 £000	2012 £000	2011 £000
Amounts falling due within one year:-				
Bank overdraft	704	385	704	385
Trade creditors	235	85	235	85
Amounts owed to joint venture company	180	163	180	163
Other taxation and social security	913	831	913	831
Corporation tax	0	45	0	38
Other creditors	709	592	709	592
Accruals and deferred income	3,137	3,402	3,076	3,385
	5,878	5,503	5,817	5,479

17. Creditors – Amounts Falling Due After More Than One Year

Consolidated and PLA	2012 £000	2011 £000
Amounts falling due after more than one year:-		
Deferred Income		
Repayable in years 2 - 5	400	400
Repayable after 5 years	1,648	1,747
Other creditors	0	360
	2,048	2,507

18. Provisions for Liabilities and Charges

	2012			2011		
Consolidated and PLA	Deferred Tax £000	Other £000	Total £000	Deferred Tax £000	Other £000	Total £000
At 1 January	212	17,227	17,439	0	16,965	16,965
Utilised during the year	68	(403)	(335)	0	(408)	(408)
Increase in provision due to unwinding of discount at 4%	0	689	689	0	678	678
(Released) / arising during the year	0	(3,553)	(3,553)	212	(8)	204
At 31 December	280	13,960	14,240	212	17,227	17,439
Payable within 1 year	280	1,494	1,774	212	915	1,127
Payable in years 2 - 5	0	3,797	3,797	0	3,247	3,247
Payable after 5 years	0	8,669	8,669	0	13,065	13,065
	280	13,960	14,240	212	17,227	17,439

Notes to the Accounts

for the year ended 31 December 2012

19. Contingent Liabilities

Other than Government grants (see note 24) there were no contingent liabilities at 31 December 2012. At 31 December 2011 there was a contingent liability in relation to the PLA's share of the deficit in the Pilot's National Pension Fund. This has now been recognised in the accounts (see note 26b).

20. Profit and Loss Reserve

	Consolidated		PLA	
	2012 £000	2011 £000	2012 £000	2011 £000
At 1 January	13,658	42,669	(4,603)	24,085
Profit for year	5,803	4,152	6,103	3,975
Actuarial loss on pension schemes	(27,906)	(33,503)	(27,906)	(33,503)
Share of actuarial loss on Pilot's National Pension Fund	(13,801)	0	(13,801)	0
Current UK corporation tax on defined benefit pension schemes	671	669	671	669
Movement in deferred tax relating to pension schemes	4,130	171	4,130	171
Share of actuarial loss on joint venture defined benefit pension scheme (net of tax)	(317)	(500)	0	0
At 31 December	(17,762)	13,658	(35,406)	(4,603)

21. Net Cash Inflow from Operating Activities

	2012 £000	2011 £000
Group operating profit	6,484	5,682
Less share of operating profit of joint venture	(362)	(170)
Group operating profit excluding joint venture	6,122	5,512
Depreciation and impairment of tangible fixed assets	2,407	2,213
Amortisation of intangible fixed assets	7	7
Profit on disposal of fixed assets	(7)	(213)
Increase in stocks	(10)	(28)
Decrease / (increase) in debtors	10	(305)
Increase / (decrease) in creditors	177	(433)
Decrease in provisions for liabilities and charges	(3,956)	(416)
Difference between pension charge and cash contributions	(2,804)	(1,908)
Cash inflow from operating activities	**1,946**	**4,429**

22. Reconciliation of Net Cash Inflow to Movement in Net Funds

	2012 £000	2011 £000
Increase / (decrease) in cash	1,783	(9,426)
Cash (inflow) / outflow from net (decrease) / increase in liquid resources	(4,000)	10,109
Change in net funds resulting from cash flows	(2,217)	683
Net funds at 1 January	38,685	38,002
Net funds at 31 December	**36,468**	**38,685**

Notes to the Accounts

for the year ended 31 December 2012

23. Analysis of Change in Net Funds

	At 1 January 2012 £000	Cash flows £000	At 31 December 2012 £000
Cash and bank balances	4,070	2,102	6,172
Overdrafts	(385)	(319)	(704)
Cash and bank balances including overdrafts	3,685	1,783	5,468
Current asset investments – liquid resources	35,000	(4,000)	31,000
Net funds	**38,685**	**(2,217)**	**36,468**

24. Government grants

Historically, Government grants were received by the PLA Group under the provisions of the Port of London (Financial Assistance) Act 1980 and the Ports (Financial Assistance) Act 1981, in those years. Certain of the grants were non-repayable. An agreement was reached with the Secretary of State for Transport that with effect from 1 January 1993 the net proceeds of the Port of London Properties Limited Group would be used, subject to certain conditions, to repay outstanding grants.

Further to that agreement a Notice from the Secretary of State for the Environment, Transport and the Regions dated 20 February 2001, was received requiring the Port of London Properties Limited Group to sell all of its remaining property assets to the British Waterways Board. This sale was completed on 16 March 2001. In due course, a final repayment of grants will be made out of the proceeds of that sale which have not yet been collected and the PLA will cease to have any further liability.

25. Subsidiary companies

Port of London Properties Limited is a wholly owned subsidiary company, incorporated and registered in England (registered number 01681053), with £100 ordinary shares of £1 each authorised, issued and fully paid. See note 1(b) for basis of consolidation.

Port of London Authority Limited is a wholly owned subsidiary company, incorporated and registered in England (registered number 02515148), with £2 ordinary shares of £1 each authorised, issued and fully paid. It has never traded and continues to be entirely dormant.

Port of London Limited is a wholly owned subsidiary company, incorporated and registered in England (registered number 02515157), with £2 ordinary shares of £1 each authorised, issued and fully paid. It has never traded and continues to be entirely dormant.

26a. PLA Pensions

Consolidated and PLA

The major scheme in which the PLA participates is the Port of London Authority Pension Fund (PLAPF), a funded final salary defined benefits scheme. For members joining the scheme after 31 March 2009 a CARE section has been set up. It is administered by a Committee of Management which, as at 26 March 2013, comprised:-

Chairman: W D Everard

Port Authority Committee Persons:-

R L Everitt
B Chapman
R S Steedman
R D M Lenthall
P J Matthews (resigned 31.03.12)
J F Mills (appointed 29.05.12)

Members' Committee Persons:-

P Durkin
D Lloyd (resigned 31.03.12)
C McQueen
R G Brodie
R Quy (resigned 31.03.12)
L Steggles (appointed 01.04.12)
P F Gold (appointed 01.04.12)

The Committee are regarded as trustees of the Fund for the purposes of exercising their powers under the rules.

Notes to the Accounts

for the year ended 31 December 2012

26a. PLA Pensions – continued

The pension contributions to PLAPF are assessed in accordance with the advice of an independent, qualified actuary using the projected unit method. The latest actuarial assessment was at 31 March 2009. The financial assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the post-retirement rate of return on investments would be 4.3% per annum and the pre-retirement rate of return on investments would be 6.75% per annum (in the context of assumed price inflation of 2.6% per annum), that the rate of growth in payroll costs would be 3.1% per annum and that present and future pensions would increase at the rate of 3.2% per annum.

At the date of the latest actuarial valuation the market value of the assets of the PLAPF was £228 million which represented 76% of the value of the benefits that had accrued to members on the basis of the assumptions summarised above. Following discussions with the Committee of Management, it was agreed that the employer would pay contributions of 23.25% of pensionable salaries for Final Salary members, 14% of pensionable salaries for higher rate CARE members and 10.5% of pensionable salaries for lower rate CARE members. In addition, it was agreed that the employer would make a payment of £3.2 million by 30 April 2010 and payments of £1.6 million per annum payable by 1 April 2011 and by each 1 April thereafter until 2028.

The PLA operates a further two funded defined benefit schemes in addition to PLAPF. These schemes, and the dates of the latest formal actuarial valuations, are as follows:-

Scheme	Date of valuation
Port of London Authority (Upper Division Staff) Widows', Widowers' and Orphans' Pension Fund (PLAWWOPF)	31 March 2010
Port of London Authority Retirement Benefits Scheme (PLARBS)	31 March 2010

The PLA's joint venture company, Estuary Services Limited, also operates a funded final salary defined benefit scheme, the Estuary Services Limited Pension Scheme (ESLPS) which was closed to new entrants on 5 April 2003. The latest formal actuarial valuation was performed as at 6 April 2009. The PLA's share of the deficit on this scheme has been incorporated into the financial statements via the gross equity method.

The disclosures required under FRS17 have been based on the most recent actuarial valuation of the pension schemes as detailed above, updated to 31 December 2012. The principal actuarial assumptions at the balance sheet date were as follows:-

	Consolidated and PLA – All Schemes		
	2012	2011	2010
Discount rate	4.00%	4.60%	5.60%
Expected return on scheme assets at the end of the year	3.3%-5.2%	3.4%-5.5%	5.25%-6.2%
Rate of increase in salaries	3.20%	3.40%	3.90%
Price inflation	2.70%	2.90%	3.40%
Pension increases (min 3%, max 5%)	3.50%	3.50%	3.70%
Post-retirement mortality	#2	#1	#1

#1: SAPS tables, birth year, with medium cohort projections and mortality rates at all ages increased by 10%, with a long term rate of improvement of 0.5% pa
#2: SAPS tables, birth year, with 2011 CMI projections and mortality rates at all ages increased by 5%, with a long term improvement of 1.0% pa

	2012			2011			2010		
Plan Assets – PLAPF	£m	%	EROA	£m	%	EROA	£m	%	EROA
Equities	50.4	18%	7.75%	45.6	18%	7.75%	51.5	20%	7.75%
Hedge Funds	54.8	20%	7.75%	51.0	20%	7.75%	52.0	20%	7.75%
Fixed interest gilts	0.0	0%	2.70%	1.2	0%	2.80%	0.0	0%	4.20%
Index linked gilts	36.2	13%	2.70%	34.2	13%	2.80%	33.6	13%	4.00%
Corporate bonds (including overseas)	129.0	47%	4.00%	122.8	48%	4.60%	120.5	46%	5.60%
Cash and other assets	4.8	2%	0.50%	2.7	1%	0.50%	2.0	1%	0.50%
Total plan assets	275.2	100%	5.20%	257.5	100%	5.50%	259.6	100%	6.20%
Expected rate of return on plan assets			5.20%			5.50%			6.20%

Notes to the Accounts

for the year ended 31 December 2012

26a. PLA Pensions – continued

	2012			2011			2010		
Plan Assets – PLAWWOPF	**£m**	**%**	**EROA**	**£m**	**%**	**EROA**	**£m**	**%**	**EROA**
Equities	0.0	0%	7.75%	1.9	8%	7.75%	6.0	23%	7.75%
Fixed interest gilts	0.0	0%	2.70%	5.8	23%	2.80%	5.3	21%	4.20%
Index linked gilts	5.6	22%	2.70%	0.2	1%	2.80%	0.6	2%	4.00%
Corporate bonds (including overseas)	4.9	19%	4.00%	3.7	15%	4.60%	13.6	53%	5.60%
Diversified Growth Fund	5.2	20%	7.75%	3.0	12%	7.75%	0.0	0%	n/a
Insurance Policies	10.2	39%	4.00%	9.8	39%	4.60%	0.0	0%	n/a
Cash and other assets	0.0	0%	0.50%	0.4	2%	0.50%	0.3	1%	0.50%
Total plan assets	25.9	100%	4.50%	24.8	100%	4.70%	25.8	100%	5.70%
Expected rate of return on plan assets			4.50%			4.70%			5.70%

	2012			2011			2010		
Plan Assets – PLARBS	**£m**	**%**	**EROA**	**£m**	**%**	**EROA**	**£m**	**%**	**EROA**
Equities	0.0	0%	7.75%	0.0	0%	7.75%	0.0	0%	7.75%
Fixed interest gilts	1.6	54%	2.70%	1.6	53%	2.80%	0.5	17%	4.20%
Index linked gilts	0.1	2%	2.70%	0.1	3%	2.80%	0.1	3%	4.00%
Corporate bonds (including overseas)	1.1	38%	4.00%	1.1	37%	4.60%	2.4	79%	5.60%
Cash and other assets	0.2	6%	0.50%	0.2	7%	0.50%	0.0	1%	0.50%
Total plan assets	3.0	100%	3.30%	3.0	100%	3.40%	3.0	100%	5.25%
Expected rate of return on plan assets			3.30%			3.40%			5.25%

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected returns are set by reference to market indicators, including price inflation, dividend yields, economic growth, yields on index-linked gilts and bonds and interest rates.

Actual return on plan assets	**2012** £000	**2011** £000
PLAPF	29,810	11,097
PLAWWOPF	2,230	289
PLARBS	245	403
	32,285	11,789

Notes to the Accounts

for the year ended 31 December 2012

26a. PLA Pensions – continued

The following amounts were measured in accordance with the requirements of FRS17:-

Amounts to be recognised in the balance sheet	PLAPF £000	PLAWWOPF £000	PLARBS £000	Total £000
At 31 December 2012				
Fair value of scheme assets	275,178	25,885	2,986	304,049
Actuarial value of scheme liabilities *	(352,821)	(22,212)	(4,591)	(379,624)
(Deficit) / surplus in the schemes	(77,643)	3,673	(1,605)	(75,575)
Irrecoverable surplus	0	(3,673)	0	(3,673)
Pension liability recognised in balance sheet before allowance for deferred tax	(77,643)	0	(1,605)	(79,248)
Related deferred tax	10,162	0	369	10,531
Net pension liability	(67,481)	0	(1,236)	(68,717)
At 31 December 2011				
Fair value of scheme assets	257,547	24,831	3,029	285,407
Actuarial value of scheme liabilities *	(310,189)	(20,196)	(4,469)	(334,854)
(Deficit) / surplus in the schemes	(52,642)	4,635	(1,440)	(49,447)
Irrecoverable surplus	0	(4,635)	0	(4,635)
Pension liability recognised in balance sheet before allowance for deferred tax	(52,642)	0	(1,440)	(54,082)
Related deferred tax	6,045	0	360	6,405
Net pension liability	(46,597)	0	(1,080)	(47,677)

* Includes the following expense reserve balances in respect of fund administration costs borne by the PLA relating to deferred and retired members of the schemes:

	2012 £000	2011 £000
PLAPF	1,805	1,633
PLAWWOPF (unrecognised due to irrecoverable surplus on scheme)	514	465
PLARBS	150	136
	2,469	2,234

Changes in the present value of the defined benefit liabilities are as follows:

	All Schemes	
Year ended December:	2012 £000	2011 £000
Opening defined benefit liability	334,854	306,161
Admin reserve balances	235	295
Service cost	4,538	3,725
Interest cost	14,921	16,567
Employee contributions	989	945
Actuarial losses on scheme liabilities	46,296	28,833
Benefits paid	(22,209)	(21,672)
Closing defined benefit liability	379,624	334,854

Notes to the Accounts

for the year ended 31 December 2012

26a. PLA Pensions – continued

Analysis of the defined benefit obligation

Year ended December:	All Schemes 2012 £000	All Schemes 2011 £000
Present value of unfunded liabilities	0	0
Present value of funded liabilities	379,624	334,854

Reconciliation of fair value of plan assets

Year ended December:	All Schemes 2012 £000	All Schemes 2011 £000
Opening fair value of scheme assets	285,407	288,417
Expected return on scheme assets	15,004	17,277
Actuarial gains / (losses) on scheme assets	17,281	(5,488)
Contributions by the company	7,577	5,928
Contributions by employees	989	945
Benefits paid	(22,209)	(21,672)
Closing fair value of scheme assets	304,049	285,407

Estimate of the Profit & Loss Figures before tax for the year ending 31 December 2013

	PLAPF £000	PLAWWOPF £000	PLARBS £000	Total £000
Service Cost *	5,176	70	0	5,246
Interest Cost	13,744	845	170	14,759
Expected return on assets	(13,917)	(1,138)	(94)	(15,149)
Effect of irrecoverable surplus	0	223	0	223
Net profit & loss charge before tax	5,003	0	76	5,079

* The service cost is net of employee contributions

	£000	£000	£000	£000
Employers best estimate of contributions to be paid to the fund in 2013 *	4,900	0	215	5,115

* During 2010 discussions took place to determine the future level of employer contributions following the 31 March 2009 actuarial valuation. The PLA agreed a recovery plan with the Trustees of the PLAPF whereby in addition to the current rate of employer contributions an additional £1.6m per annum will be paid to the fund effective from the 31 March 2009 actuarial valuation. Therefore deficit contributions of £3.2m were due and paid during April 2010 and £1.6m was paid during April 2011 and April 2012. From 2013 up to 16 annual payments of £1.6m will be paid for the remainder of the recovery plan or until the deficit is eliminated. The above figure of £4.9m includes the additional £1.6m due in 2013. The PLA has also granted the Trustees of the PLAPF security over future landfill royalties and licence income from the London Eye as a guarantee against these future annual deficit repairs. During 2012 an additional £2.5m (2011 £1m) over and above the agreed recovery plan was paid to the fund.

Changes in the amounts recognised in the statement of total recognised gains and losses (STRGL)

Year ended December:	All Schemes 2012 £000	All Schemes 2011 £000
Opening cumulative STRGL	(50,491)	(17,159)
Actuarial losses net of deferred tax	(23,105)	(33,332)
Closing cumulative STRGL	(73,596)	(50,491)

Notes to the Accounts

for the year ended 31 December 2012

26a. PLA Pensions – continued

History of assets, liabilities and actuarial gains and losses

	All Schemes				
Year ended December:	**2012** £000	**2011** £000	**2010** £000	**2009** £000	**2008** £000
Fair value of scheme assets *	304,049	285,407	288,417	276,408	270,281
Present value of defined scheme liability	(379,624)	(334,854)	(306,161)	(300,354)	(266,125)
(Deficit) / surplus #	(75,575)	(49,447)	(17,744)	(23,946)	4,156
# Includes irrecoverable surplus on PLAWWOPF	3,673	4,635	5,361	4,161	5,679

* Scheme assets shown at bid value at all dates.

Experience (loss) / gain on scheme liabilities and changes in assumptions

	All Schemes				
Year ended December:	**2012**	**2011**	**2010**	**2009**	**2008**
Amount (£000)	(46,296)	(28,833)	(6,370)	(35,431)	27,139
Percentage of the present value of the scheme liabilities	(12%)	(9%)	(2%)	(12%)	10%
Difference between the expected and actual return on scheme assets					
Amount (£000)	17,281	(5,488)	10,193	10,238	(35,596)
Percentage of the present value of the scheme assets	6%	(2%)	4%	4%	(13%)

Amounts to be recognised in the profit and loss account

	Year ended 31 December 2012				
	PLAPF £000	**PLAWWOPF** £000	**PLARBS** £000	**Total** £000	**2011** £000
Movement in administration expense reserve	172	49	14	235	295
Current service cost	4,476	62	0	4,538	3,725
Total service cost	4,648	111	14	4,773	4,020
Analysis of other financial (costs) / income					
Interest on pension scheme liabilities	(13,851)	(882)	(188)	(14,921)	(16,567)
Expected return on assets in the pension scheme	13,766	993*	98	(14,857)	(17,185)
Other financial (costs) / income attributable to the PLA	(85)	111	(90)	(64)	618
Share of other financial (costs) / income in joint venture				(7)	5
Total other financial (costs) / income				(71)	623

* Expected return on assets restricted to the sum of service cost and interest cost due to the funds' irrecoverable surplus.

Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)

	2012 £000	**2011** £000
Actual return less expected return on pension scheme assets	16,191	(4,342)
Actuarial losses on scheme liabilities	(44,097)	(29,161)
Actuarial loss recognised in STRGL before adjustment for tax	(27,906)	(33,503)

Notes to the Accounts

for the year ended 31 December 2012

26a. PLA Pensions – continued

Movement in schemes' net deficit during the year

	2012 £000	2011 £000
Combined deficit in schemes at beginning of year	(54,082)	(23,105)
Movements in year to 31 December:-		
Service cost	(4,773)	(4,020)
Employer contributions	7,577	5,928
Other finance (costs) / income	(64)	618
Actuarial loss	(27,906)	(33,503)
Combined deficit in schemes at end of year	(79,248)	(54,082)

26b. The Pilot's National Pension Fund (PNPF) – Consolidated and PLA

The PNPF is a centralised multi-employer defined benefit pension scheme for non-associated employers. It provides benefits for employed and self-employed maritime Pilots. The PLA is a participating employer in the scheme and its share of the assets, liabilities and funding deficit is 6.3451% which has been recognised as at 31 December 2012. The PLA's share of the funding deficit was previously recognised as a contingent liability (see note 19).

The Trustee of the PNPF has sought the guidance of the court on a number of issues relating to the Trustee's powers under the Rules of the PNPF including who is liable to contribute. Until the legal status of the PNPF had been clarified, the PLA was unable to determine its share of the liabilities of the PNPF.

Following the court's determination and further information being made available on the extent of the PNPF's liabilities, the PLA is now able to determine its share of the assets and liabilities in respect of the PNPF. The last actuarial valuation of the PNPF was completed as at 31 December 2004. More recent valuations had not been completed pending clarification of the legal status of the PNPF. Valuation calculations have, however, been carried out as at 31 December 2007 and 31 December 2010 but are yet to be finalised and signed and the results of these calculations have been updated to 31 December 2012 by a qualified independent actuary.

At the date of the latest actuarial valuation the market value of the assets of the PNPF was £339 million which represented 76% of the value of the benefits that had accrued to members after allowing for future increases.

Amounts to be recognised in the balance sheet

At 31 December:	2012 £000
Fair value of scheme assets	18,170
Actuarial value of scheme liabilities	(32,510)
Deficit in the scheme	(14,340)
Related deferred tax *	0
Net pension liability	(14,340)

* A deferred tax asset has not been recognised as the pension liabilities do not satisfy the recognition criteria for deferred tax assets in FRS19 at this stage (see note 8c).

Changes in the amounts recognised in the statement of total recognised gains and losses (STRGL)

Year ended December:	2012 £000
Opening cumulative STRGL	0
Actuarial losses net of deferred tax	(13,801)
Closing cumulative STRGL	(13,801)

Changes in the present value of the defined benefit liabilities are as follows:

Year ended December:	2012 £000
Opening defined benefit liability	0
Actuarial losses due to initial recognition	32,510
Closing defined benefit liability	32,510

Notes to the Accounts

for the year ended 31 December 2012

26b. The Pilot's National Pension Fund (PNPF) – Consolidated and PLA – continued

Reconciliation of fair value of plan assets

Year ended December:	2012 £000
Opening fair value of scheme assets	0
Actuarial gains due to initial recognition	18,170
Closing fair value of scheme assets	18,170

The value of the assets did not include any assets used by the PLA, nor did it include any of the PLA's own financial instruments.

Expected return on assets

The assumed expected rate of return for PNPF assets as at 31 December 2012 is based on the PNPF's current asset allocation and the yields currently available in the appropriate investment markets.

	2012		
	£m	%	EROA
Global Equities *	3.8	21.0%	7.5%
Fund of Hedge Funds *	2.8	15.4%	6.5%
Corporate bond returns (based on the current yield available on AA-rated corporate bonds at an appropriate duration) *	10.6	58.3%	3.9%
Cash returns (based on the current LIBOR rate) *	1.0	5.3%	0.7%
	18.2	100.0%	4.9%
Expected rate of return on plan assets *			4.9%

* Net of a deduction of 0.2% pa to allow for investment management expenses.

The Trustee is currently considering amending the long-term investment strategy for the PNPF and this is likely to result in changes to the PNPF's asset allocation during 2013.

Weighted average assumptions to determine benefit obligations	2012 % pa
Discount rate	4.1%
Rate of increase in salaries	3.5%
Rate of increase to pensions in deferment	2.3%
RPI inflation	3.0%
CPI inflation	2.3%
Pension increases: maximum 5% pa, minimum 0% pa	2.9%
Pension increases: maximum 5% pa, minimum 3% pa	3.5%
Mortality – base table	95% of S1NxA Standard Tables
Mortality – future improvements	CMI_2010 core projections 1.25% pa long-term improvement

Historical pension information

Year ended December:	2012 £000
Benefit obligation	(32,510)
Fair value of assets	18,170
Deficit	(14,340)

Company contributions

The Trustee has proposed contributions in order to rectify the funding shortfall in the PNPF. These contributions remain subject to consultation, and depend upon a number of factors relating to the actuarial valuation of the PNPF, the future investment strategy of the PNPF, the strength of the covenant offered to the PNPF by the various participating bodies and the approval of the Pensions Regulator. The results of this consultation are expected shortly, at which time the extent of the PLA's contributions will be clarified. The PLA's best estimate of contributions to be paid to the scheme in 2013 is £174,000. Contributions are expected to increase in subsequent years such that PLA's share of the deficit will be extinguished within a period of 16 years.

Statement of Members' Responsibilities
in Respect of the Annual Report and the Financial Statements

The members are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

The members of the Port of London Authority are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the PLA and of the profit or loss of the PLA for that period. In preparing those financial statements, the members are required to:-

- select suitable accounting policies and then apply 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 disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the PLA will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The members confirm that they have complied with the above requirements in preparing the financial statements.

The members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the PLA and enable them to ensure that the financial statements comply with Section 42 of the Harbours Act 1964, as amended by the Transport Act 1981. They are also responsible for safeguarding the assets of the PLA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the PLA's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the Members of Port of London Authority (PLA) for the year ended 31 December 2012

We have audited the financial statements of the Port of London Authority for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and PLA Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the PLA's members, as a body, in accordance with the Harbours Act 1964, as amended by the Transport Act 1981. Our audit work has been undertaken so that we might state to the PLA'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 PLA and the PLA's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members of the Port of London Authority and auditor

As explained more fully in the Statement of Members' Responsibilities set out on page 32, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the PLA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for this report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and PLA's affairs as at 31 December 2012 and of the group's profit for the year 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 Harbours Act 1964, as amended by the Transport Act 1981.

Ernst & Young LLP
Statutory Auditor
London

April 2013

The maintenance and integrity of the PLA's web site is the responsibility of the members; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PORT OF LONDON AUTHORITY

Copies of the Annual Review and the PLA Annual Report & Accounts can be downloaded from our website: **www.pla.co.uk**

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