Port of London Authority
Annual Report & Accounts 2011

Presented to the House of Commons pursuant to section 8(1) of the Port of London Act 1968.

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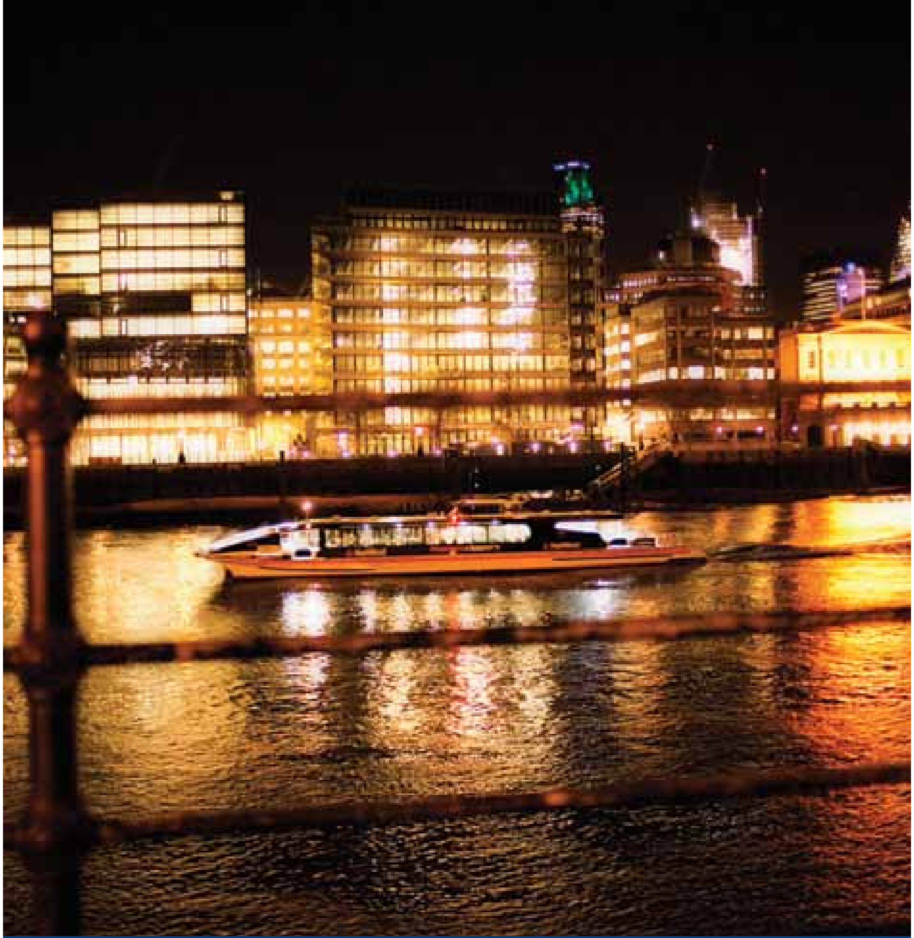


ANNUAL REPORT & ACCOUNTS 2011

PORT OF LONDON AUTHORITY

CONTENTS

TRADE AND FINANCIAL HIGHLIGHTS

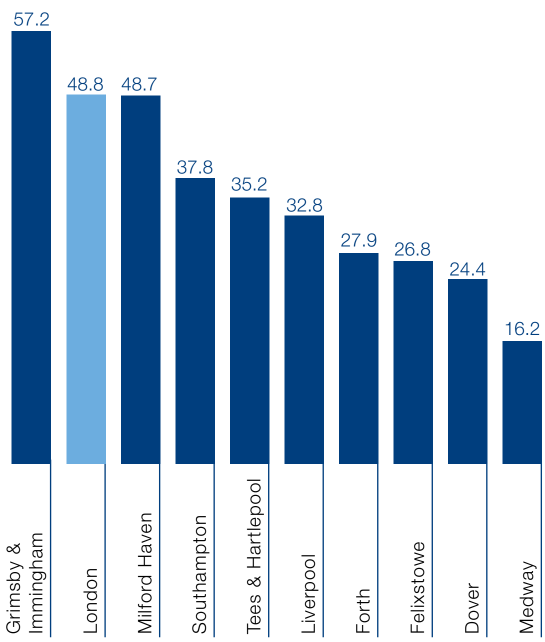
FOR THE YEAR ENDED 31 DECEMBER 2011

TRADE – MILLION TONNES	2011	2010
Imports	40.8	39.8
Exports	8.0	8.3
Total	48.8	48.1

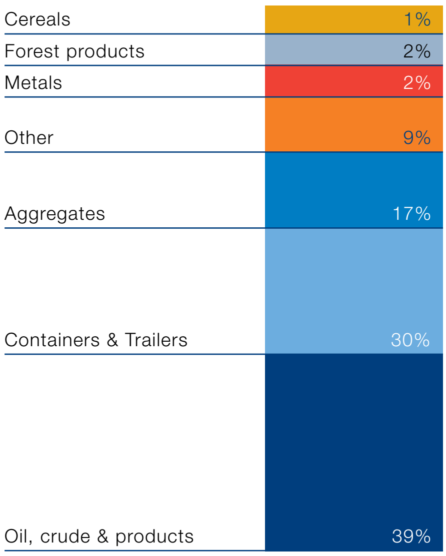
UNITISED TRAFFIC THOUSAND TEUS - (INCLUDED IN ABOVE TONNAGES)	2011	2010
Imports	954	957
Exports	978	940
Total	1,932	1,897
Number of chargeable vessel arrivals to the Port of London	9,396	9,438

FINANCIAL HIGHLIGHTS £M	2011	2010
Turnover	46.5	44.3
Operating profit	5.7	7.7
Net cash inflow from operating activities	4.4	7.8

UK PORT TRAFFIC 2011



LONDON TRADE STATISTICS 2011



MEMBERS OF THE AUTHORITY

AS AT 30 APRIL 2012

DAME HELEN ALEXANDER

Dame Helen Alexander is chairman of the Port of London Authority (PLA), Incisive Media and deputy chairman of esure Group Holdings. She is deputy president of the CBI, where she was president until June 2011. Helen is a non-executive director and chair of the remuneration committee at Rolls-Royce Group plc, and senior adviser to Bain Capital. She is Chancellor of the University of Southampton.

She is also 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.

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 (UKMPG) and a trustee of a number of pension funds.

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 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.

R LENTHALL

Rodney Lenthall joined the 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.

J MILLS, CBE

John Mills was appointed as a non executive member of the board in September 2008. A former civil servant, Mr Mills has considerable experience of the public sector from a variety of senior positions in both central and local government. He spent several years as a member of the prime minister's policy unit. His other roles have included director of consumer affairs at the Office of Fair Trading, chief executive of Cornwall County Council, and director of rural policy at the Department for Environment, Food and Rural Affairs.

John is a non-executive board member of the Commission for Rural Communities and of the Jersey Financial Services Commission. He also undertakes a number of voluntary roles including chairman of the governing body of Highgate School, London and as an income tax commissioner of appeal in Jersey.

MEMBERS OF THE AUTHORITY

AS AT 30 APRIL 2012

COMMANDER D G PHILLIPS (JOINED 1 OCTOBER)

David Phillips was appointed as chief harbour master in October 2011. He is responsible for 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 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.

P K SARWAL

Pommy Sarwal was appointed a non-executive member of the PLA in June 2006.

Mr Sarwal is a chartered accountant and a Sloan Fellow of the London Business School. Until 2006, he was a partner in the Specialised Finance Group of Deloitte where he provided corporate finance advice to both private and public sector clients in areas as diverse as energy, water, ports, airports, public transport, road, rail and defence. He has also worked with both UK and overseas companies based in the USA and Europe.

Pommy is currently a non executive director of British Waterways, Chatham Historic Dockyard, Christie Group plc, Hybrid Air Vehicles Ltd and Hyde Housing Association. He is chairman of Master Ropemakers Ltd and Venners Ltd.

S STEEDMAN, CBE

Dr Scott Steedman is a civil engineer with a background in consulting, contracting, research and innovation for major infrastructure and engineering projects. His career has included senior roles with international engineering companies including Sir Alexander Gibb and Partners, High-Point Rendel and Foster Wheeler Energy. He is now director (designate) of Standards for the British Standards Institution where his responsibilities include driving BSI's Standards development strategy and strengthening relationships with the UK Government and international Standards bodies. He served on the Defence Scientific Advisory Council for six years and has been a vice president of both the Royal Academy of Engineering and the Institution of Civil Engineers, recently contributing to industry-led reports for government on the construction industry and its role in the transition to a low carbon economy. He is editor-in-chief of the Royal Academy's flagship magazine, Ingenia.

A J QUINLAN

Tony was appointed as a non executive member of the Port of London Authority board in March 2012.

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.

SECRETARY TO THE BOARD – 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 MOD 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.

BOARD & COMMITTEES

AS AT 30 APRIL 2012

THE PORT OF LONDON AUTHORITY IS OVERSEEN BY A 10-MEMBER BOARD MADE UP OF THREE EXECUTIVE MEMBERS AND SEVEN NON-EXECUTIVES, PLUS THE SECRETARY TO THE BOARD. BOARD MEMBERS SIT ON SIX COMMITTEES. MEMBERSHIP OF THE BOARD AND COMMITTEES AS AT 30 APRIL 2012 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

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

Executive members

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

Secretary to the board

- R D Crighton MCMI, Barrister

Committees of the board

Audit Committee (A)
Licensing Committee (L)
Nominations Committee (N)
Charitable Donations Committee (C)
Remuneration Committee (R)
Pensions Committee (P)
Chairman (*)

MANAGEMENT EXECUTIVE COMMITTEE

Chief executive • R L Everitt
Chief financial officer • B Chapman
Chief harbour master • D G Phillips
Secretary and general counsel • R D Crighton
Director of corporate affairs • A F Gale
Director of human resources • G W Witham
Director of marine operations • P Steen

(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)

CHAIRMAN'S STATEMENT

2011 WAS A YEAR OF SOME NOTABLE PROGRESS BOTH FOR OPERATIONS ALONG THE RIVER AND FOR THE PLA ITSELF. ACROSS TRADE, TRAVEL AND RECREATION, USE OF AND INTEREST IN THE RIVER CONTINUED TO GROW. THIS IS PROGRESS TOWARDS OUR VISION OF A VIBRANT, SAFE AND SUSTAINABLE RIVER AND ESTUARY.

RIVER USE

Port trade increased during 2011 by 0.7 million tonnes (1.5%) to 48.8 million tonnes (2010: 48.1 million tonnes). The mix of cargoes passing through the port continued to evolve.

Tonnages of building materials, such as cement and aggregates, recovered strongly (up by 1.7 million tonnes to 8.6 million tonnes). The volume of unitised traffic through the port edged up (1%) to 14.5 million tonnes, 0.2 million tonnes more than in 2010. Fuel volumes fell due to the ending of coal imports at Tilbury Power Station, as did the tonnage of many other bulk cargoes, reflecting the continuing difficult economic climate.

The number of chargeable vessel arrivals in the port during 2011 was 9,396 (2010: 9,438).

The use of the river for passenger transport continued to develop through the year. We welcomed the addition to the passenger pier network of St George's Wharf in Vauxhall, and City Cruises' order of a new £3 million River Liner. Already in 2012 the extension of Tower Pier marks another step in the extensive preparation of the river for the London Olympics.

While developments in river use were positive, we also remember with sadness the three deaths on the river last year, in three different incidents. We will make sure we embed the lessons learnt from these tragedies, further to improve safety on the river.

FINANCES

Our operating profit for 2011 fell by £2.0m to £5.7m compared with 2010, when we benefited from two one-off items: the licensing of the works over the Thames at Blackfriars station, and the sale for development of our land at Greenwich promenade. Operating revenue increased 5.0% to £46.5m. In 2011 we recruited and trained more pilots in preparation for the opening of the London Gateway Port in 2013. While we had to cover other additional costs, such as the pensions deficit repair payments and Pilots National Pension Fund-related legal costs, we continued to keep all costs under very close control.

Our surplus was achieved even after paying an additional £2.6m into the main PLA pension scheme, in accordance with the deficit reduction agreement. Some progress has been made in the legal proceedings surrounding the Pilots National Pension Fund, with the withdrawal of the final appeal during the final quarter of 2011. We will now get a better understanding of the size of the liabilities facing ports in the UK and the PLA in particular.

OUR PROSPECTS

The Port of London's location and market access continue to attract business and investment to the banks of the river and estuary. Business on the Thames is nevertheless not immune to the difficult economic times.

We saw this in January 2012 when the Coryton oil refinery, the PLA's single largest customer, was placed in administration. We are working with other stakeholders to find a long term solution for this important business.

In spite of the uncertainty, other operators continue to have the confidence to invest. This is clear at the Port of Tilbury which is set to undertake its £120 million northern extension scheme, and at DPWorld, whose London Gateway container port on the Essex coast is expected to open late in 2013.

CHAIRMAN'S STATEMENT

The river plays an essential role keeping two million tonnes of freight off the capital's roads every year. We provided technical advice to the Mayor of London in the review of safeguarded wharves and are closely following its progress towards finalisation. We believe that the statutory protection of wharves in London is important for the port community, keeping pressure off London's roads and to support the most sustainable form of freight transport.

River use for moving freight is set for a continued renaissance. Crossrail will use the river for moving up to five million tonnes of tunnelling spoil and construction materials, and Thames Water is using the river for the Lea Tunnel project and for their Thames Tunnel scheme.

OUR PEOPLE

Planning for the Queen's Diamond Jubilee river pageant is well under way. Navigationally its scale will be challenging and we have already been planning with the organisers for some eighteen months. In the weeks leading up to the event we will lay an unprecedented number of moorings and our hydrographers will complete surveys in support. For this and for other events the commitment of our people is essential, and impressive. I would like publicly to thank them not only for everything achieved in 2011, but also for their professional planning for the summer of 2012, whilst supporting the day-to-day business of the port.

DAME HELEN ALEXANDER

CHAIRMAN
30 APRIL 2012

REPORT OF THE BOARD

THE PLA'S VISION IS TO MAINTAIN A VIBRANT, SAFE AND SUSTAINABLE RIVER AND 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
- Partnerships with river users and accountability to stakeholders

BUSINESS ENVIRONMENT

The Port of London benefits from a highly diversified portfolio of trades. Oil (both crude for refining and oil products) remains the largest sector, but the port also handles significant volumes of unitised traffic, building materials and metals. The diversified nature of the trade is one of the biggest strengths of the port.

The port is ideally located, being adjacent to a market of in excess of 23 million people. Although the terminals and wharves that make up the port are located principally along the lower reaches of the 95 miles of the tidal Thames, the additional time required to access some of the berths adds to the competitive pressures. From time to time, Board members meet with and visit the principal stakeholders, to understand and keep abreast of concerns and objectives.

For certain types of trade, in particular deep sea containerised traffic, there is a great need for additional capacity to be built nearer to the mouth of the estuary, capable of handling larger ships. The PLA is actively facilitating the development of London Gateway Port through its marine expertise and services.

PRINCIPAL RISKS AND UNCERTAINTIES

The Audit Committee regularly reviews the more serious risks identified by the Executive, which include serious pollution following a collision or grounding in the estuary, the risk of a major blockage of a main shipping channel and an accident involving a Class V passenger vessel leading to loss of life. Risks to the PLA itself arise both from its previous role as dock owner and operator and from its significant pension liabilities, both to its own scheme and to the Pilots National Pension Fund (PNPF). Improved pensioner longevity and the uncertainty of the financial markets both give rise to financial risk from potential deficits. Steps are being taken to control the PLA's exposure to these liabilities. In the case of the PNPF, a recent Court decision paves the way for a formal valuation of the Fund and the creation of a recovery plan, which will give greater certainty over the PLA's exposure.

In the present economic climate, the viability of major customers cannot be taken for granted and there is current uncertainty over the future of the Coryton refinery and over the recovery plan for Tilbury Power Station following a major fire.

GOVERNANCE

The Board is committed to maintaining the highest standards of corporate governance, following where relevant the guidance of the Combined Code.
The chairman is responsible for the operation, leadership and governance of the Board, 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. In 2011 the PLA held its first stakeholders' forum where those with a direct interest in the river had the opportunity to meet, hear from and challenge the Executive and Board.

The PLA is committed are committed to providing equal opportunities and recognising the differences in people through their nationality, political or religious opinions, race, age, sexuality and disability. The PLA will not tolerate any direct or indirect discrimination and will aim at all times to promote equality and diversity and good practice in all our work and the services we provide.

REPORT OF THE BOARD

CONSTITUTION, BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Port of London Authority (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. Under the Act, 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 facilitates navigational safety through a range of activities including: the operation of a Vessel Traffic Service; hydrographic surveying; dredging and providing aids to navigation. The PLA's other responsibilities include the provision of pilotage services, 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 the cost of its operations from the charges levied for the services it provides, including conservancy, pilotage and fees for river works licences. The results for the PLA for 2011 show a profit after tax of £4.2 million (2010: £4.4 million). Income is also derived from providing hydrographic and marine services to third parties.

PROVISION OF INFORMATION TO AUDITORS

All current members confirm that, to the best of their knowledge, there is no relevant information needed by the auditor to prepare his report of which he is not aware. Each member has taken all the steps which he or she is obliged to take as a member of the Board to make him or herself aware of any relevant audit information, and to establish that the auditor is aware of that information.

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.

There were seven meetings of the PLA Board in 2011. Members attended as follows:

Dame Helen Alexander, DBE	7
J F Mills, CBE	7
R L Everitt	7
D G Snelson, CB (Retired from the PLA, last meeting September)	5
D G Phillips (Appointed as Chief Harbour Master, first meeting November)	2
B Chapman	7
P J Matthews, OBE	7
P K Sarwal	7
R S Steedman, CBE	7
W D Everard, CBE	7
R D M Lenthall	7

The following sub committees also met during 2011:

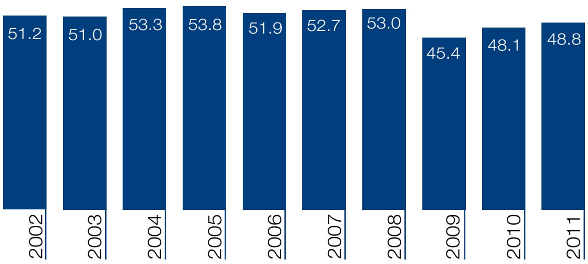
Audit	3
Licensing	2
Pensions	3
Remuneration	1

ROBERT D CRIGHTON,
SECRETARY

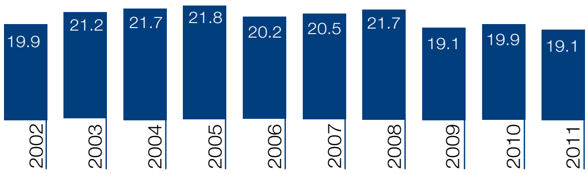
BY ORDER OF THE BOARD
30 APRIL 2012

TRADE STATISTICS

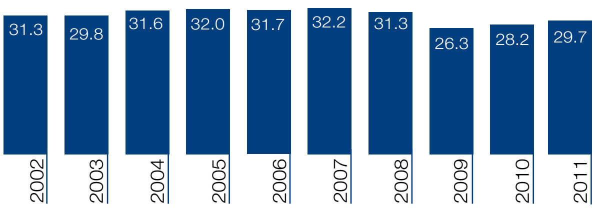
PORT OF LONDON TOTAL TRAFFIC
MILLION TONNES



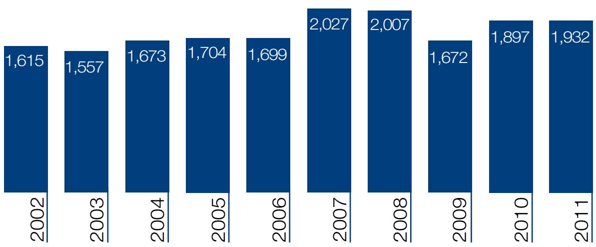
PORT OF LONDON FUEL TRAFFIC
MILLION TONNES



PORT OF LONDON NON-FUEL TRAFFIC
MILLION TONNES



PORT OF LONDON UNITISED TRAFFIC
THOUSAND TEUS



PORT OF LONDON TOTAL TRAFFIC

	Imports		Exports		Total	
	2011	2010	2011	2010	2011	2010
	million tonnes		million tonnes		million tonnes	
Oil, crude & products	17.1	17.0	1.9	2.2	19.0	19.2
Containers & trailers	10.5	10.3	4.0	4.0	14.5	14.3
Aggregates	8.1	6.4	0.0	0.0	8.1	6.4
Other cargo	3.1	3.4	1.2	1.0	4.3	4.4
Forest products	1.2	1.2	0.0	0.0	1.2	1.2
Coal	0.0	0.7	0.0	0.0	0.0	0.7
Metals & ores	0.5	0.4	0.7	0.7	1.2	1.1
Cereals	0.3	0.4	0.2	0.4	0.5	0.8
TOTAL	**40.8**	**39.8**	**8.0**	**8.3**	**48.8**	**48.1**

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

UNITISED TRAFFIC (INCLUDED IN THE ABOVE TONNAGES)

	Imports		Exports		Total	
000 twenty-foot equivalent units	2011	2010	2011	2010	2011	2010
Ro/Ro terminals (trailers & containers)	515	529	526	498	1,041	1,027
Container terminals	439	428	452	442	891	870
Unitised Total (TEUS)	**954**	**957**	**978**	**940**	**1,932**	**1,897**

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTE	2011 £000	2010 (Restated) £000
Turnover including share of joint venture		46,546	44,324
Less: share of joint venture		599	561
Turnover excluding share of joint venture	2	45,947	43,763
Operating expenditure	2	40,435	36,246
Operating profit excluding joint venture	2, 4	5,512	7,517
Share of operating profit of joint venture		170	218
Operating profit including joint venture		5,682	7,735
Net interest	7	(306)	(349)
Other financial income / (costs)	26	623	(1,398)
Profit on ordinary activities before taxation		5,999	5,988
Taxation	8	(1,847)	(1,635)
Profit for the financial year	20	**4,152**	**4,353**

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 2011

	Note	2011 £000	2010 £000
Profit for the financial year		4,152	4,353
Actuarial (loss) / gain on pension schemes	26	(33,503)	2,758
Current UK corporation tax on defined benefit pension schemes		669	0
Movement in deferred tax relating to pension schemes	14	171	2,812
		(28,511)	9,923
Share of actuarial (loss) / gain on joint venture defined benefit pension scheme (net of deferred tax)	11	(500)	146
Total recognised (losses) / gains relating to the year		(29,011)	10,069

The PLA also has an unrecognised loss of £726,000 for the year ended 31 December 2011 (2010 gain of £1,200,000) in relation to a pension scheme which has an irrecoverable surplus (see note 26).

BALANCE SHEETS

AS AT 31 DECEMBER 2011

	Note	Consolidated 2011 £000	Consolidated 2010 £000	PLA 2011 £000	PLA 2010 £000
Fixed assets					
Intangible assets	9	254	261	254	261
Tangible assets	10	27,128	27,228	27,128	27,228
Investments	11	0	0	2	2
Joint venture:-					
Share of gross assets		1,218	1,090	0	0
Share of gross liabilities		(312)	(243)	0	0
Share of pension deficit		(838)	(418)	0	0
	11	68	429	0	0
		27,450	27,918	27,384	27,491
Current assets					
Stocks		169	141	169	141
Debtors - amounts due less than and more than one year	15	20,095	19,776	7,169	6,849
Liquid resources		35,000	24,891	29,707	19,629
Cash and bank balances		4,070	13,111	4,070	13,111
		59,334	57,919	41,115	39,730
Current liabilities					
Creditors: amounts falling due within one year	16	5,503	6,729	5,479	6,697
Net current assets		53,831	51,190	35,636	33,033
Total assets less current liabilities		81,281	79,108	63,020	60,524
Creditors: amounts falling due after more than one year	17	2,507	2,607	2,507	2,607
Provisions for liabilities and charges	18	17,439	16,965	17,439	16,965
		19,946	19,572	19,946	19,572
Net assets excluding pension deficit		61,335	59,536	43,074	40,952
Pension deficit	26	(47,677)	(16,867)	(47,677)	(16,867)
Net assets / (liabilities) including pension deficit		13,658	42,669	(4,603)	24,085
Reserves					
Profit and loss account	20	13,658	42,669	(4,603)	24,085

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 23 March 2012 and were signed on its behalf on 30 April 2012 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 2011

		2011		2010	
	Note	£000	£000	£000	£000
Net cash inflow from operating activities	21		4,429		7,782
Returns on investment and servicing of finance					
Interest received		251		321	
Net cash inflow from returns on investments and servicing of finance			251		321
Taxation					
U.K. Corporation tax paid		(1,742)		(106)	
			(1,742)		(106)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(2,522)		(3,704)	
Sale of tangible fixed assets		267		0	
Net cash outflow from capital expenditure and financial investment			(2,255)		(3,704)
Net cash inflow before use of liquid resources and financing			683		4,293
Management of liquid resources					
Increase in short term investments			(10,109)		(9,891)
Decrease in cash in the year	22		(9,426)		(5,598)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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) Change of basis of presentation - 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 2011 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 rate of 4%. It is expected that the provision will be utilised over a period of between 40 to 50 years. See note 18.

Increases in the provision as a result of discounting are recognised as an interest expense in accordance with FRS12. Previously these increases were treated as an operating expense and therefore the prior year comparatives have been restated. This restatement does not affect the profit for 2010, the balance sheet as at 31 December 2010 or the opening reserves.

(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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(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.

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 2011

2. OPERATING PROFIT

	2011 £000	2010 (Restated) £000
Turnover		
Conservancy charges on cargo	7,730	7,357
Conservancy charges on vessels	9,302	8,555
	17,032	15,912
Pilotage (Note 3)	15,077	13,915
River works licences and other rents	7,121	6,872
Services provided	3,701	3,350
Moorings	495	466
Landfill royalties	1,456	529
Other revenue	1,065	2,719
	45,947	43,763
Operating expenditure		
Operating payroll	22,080	19,886
Supplies and services	10,892	8,981
Depreciation and amortisation	2,220	2,167
Administration: payroll	2,996	2,824
other	2,247	2,388
	40,435	36,246
Operating profit	**5,512**	**7,517**

3. PILOTAGE

The profit and loss account includes the following relating to pilotage:-	2011 £000	2010 £000
Turnover:-		
providing pilotage services	15,025	13,869
issue of pilotage exemption certificates	52	46
	15,077	**13,915**
Operating expenditure:-		
providing the services of pilots	12,875	11,630
providing, maintaining and operating pilot boats	528	545
administration and other costs	1,566	961
legal fees / (net refund) in relation to the PNPF case	184	(961)
	15,153	12,175
Operating (loss) / profit relating to pilotage	**(76)**	**1,740**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

4. OPERATING PROFIT

Operating profit is stated after accounting for the following:-		2011 £000	2010 £000
Auditors' remuneration	- audit of the financial statements	43	59
	- audit of the group pension schemes	29	27
	- local statutory audit for subsidiary company	4	3
	- taxation services#	15	12
	- all other services	4	0
		95	101
Operating lease rentals	- land and buildings	451	468
	- other	50	56
Total		501	524
(Profit) / loss on disposal of fixed assets		(213)	10
Depreciation	- owned assets	2,213	2,161
Amortisation of intangible fixed assets		7	6

Included in taxation services is £10,000 (2010 £10,000) relating to the PLA.

5. EMPLOYEES

Staff costs (including Executive Board Members) during the year were:-	2011 £000	2010 £000
Wages and salaries	19,432	17,686
Social security costs	1,892	1,617
Pensions costs	3,725	3,381
	25,049	22,684
Staff severance	0	(1)
	25,049	22,683

	2011 Number	2010 Number
The average monthly number of persons (including Executive Board Members) employed during the year was:-		
Operations	310	296
Administration	49	48
	359	344

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. 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 2011

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	
	2011 £	2010 £	2011 £	2010 £	2011 £	2010 £
Executive Members:-						
R L Everitt	183,368*	178,318*	2,222	1,987	185,590	180,305
B Chapman	112,688*	109,396*	2,222	1,987	114,910	111,383
D G Snelson (retired 05.12.11)	103,387*	101,289*	1,653	6,737	105,040	108,026
D G Phillips (appointed 01.10.11)	23,625	0	2,097	0	25,722	0
Non-Executive Members:-						
Dame Helen Alexander (Chairman)	84,720	82,256	0	0	84,720	82,256
R S Steedman	24,000	23,304	0	0	24,000	23,304
R D M Lenthall	24,000	23,304	0	0	24,000	23,304
J F Mills	33,010	32,048	0	0	33,010	32,048
W D Everard	28,580	27,748	0	0	28,580	27,748
P K Sarwal	27,240	26,451	0	0	27,240	26,451
P J Matthews (retired 29.02.12)	28,580	27,748	0	0	28,580	27,748
	673,198	631,862	8,194	10,711	681,392	642,573

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 2011 was £14,937 per annum (2010 £12,185).

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

* Includes car allowance:

	2011 £	2010 £
R L Everitt	10,000	10,000
B Chapman	8,863	8,844
D G Snelson	8,224	737

7. NET INTEREST

	2011 £000	2010 (Restated) £000
Interest receivable	370	335
Unwinding of discount on provisions for liabilities and charges (see note 18)	(678)	(688)
	(308)	(353)
Share of joint venture interest:-		
Receivable	2	4
	(306)	(349)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £000	2010 £000
a. Analysis of charge for the year:-		
Corporation tax at 26.5% (2010 28%)	1,368	1,158
Adjustment in respect of prior years	(1)	0
Total corporation tax (Note 8b)	1,367	1,158
Deferred tax	370	271
Adjustment in respect of prior years	72	164
Total deferred tax (Note 14)	442	435
Share of joint venture tax:-		
Corporation tax at 20.25% (2010 21%)	18	18
Deferred tax	20	24
Total joint venture tax	38	42
Total taxation charge to profit and loss account	1,847	1,635

	2011 £000	2010 £000
b. Factors affecting current tax charge for the year:-		
Profit on ordinary activities before taxation	5,999	5,988
Corporation tax thereon at 26.5% (2010 28%)	1,589	1,676
Effects of:		
Share of profit of joint venture	(47)	(59)
Disallowable expenditure	70	64
Accelerated capital allowances	47	62
Utilisation of prior years losses	0	(438)
Capital proceeds	(48)	(471)
Pension contribution relief in advance of net pension cost charge	0	(628)
Prior year adjustment	(1)	0
Forward spreading of pension contributions paid	(253)	803
Other timing differences	10	149
Corporation tax charge for the year (Note 8a)	1,367	1,158

C. FACTORS AFFECTING FUTURE TAX CHARGES

The Chancellor announced in the UK Budget Statement on 21 March 2012 that the full rate of UK corporation tax would reduce from 25% to 24% from 1 April 2012 and then by a further 1% each year until the rate reaches 22% with effect from 1 April 2014. The effect of these rate reductions on the group deferred tax balance has not been reflected in these accounts due to the relevant legislation not having been substantively enacted at the balance sheet date.

The proposed reductions of the main rate of corporation tax are expected to be enacted separately each year. The overall effect of the further changes from 25% to 22% (2010 27% to 23%), if these applied to the recognised deferred tax at 31 December 2011, would be to reduce the recognised deferred tax asset by £743,000 (2010 £958,000).

The UK Government also announced on 22 June 2010 that the rate of capital allowances applicable to plant and machinery will be reduced from 20% to 18% on a reducing balance basis for accounting periods ending after April 2012.

The group has capital losses carried forward of £6,277,000 (2010 £6,405,000) 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 £28,460,000 (2010 £nil) or in relation to other timing differences of £16,294,000 (2010 £16,268,000) 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 2011

9. FIXED ASSETS – INTANGIBLE ASSETS

Consolidated and PLA	Licences £000
Cost	
At 1 January 2011 and 31 December 2011	330
Amortisation	
At 1 January 2011	69
Charge for year	7
At 31 December 2011	76
Net book value at 31 December 2011	254
Net book value at 31 December 2010	261

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 2011	13,071	6,823	10,629	9,784	16,765	57,072
Reclassifications	0	0	0	(13)	13	0
Additions	398	39	121	734	875	2,167
Disposals	0	0	0	(648)	(697)	(1,345)
At 31 December 2011	13,469	6,862	10,750	9,857	16,956	57,894
Depreciation						
At 1 January 2011	4,439	3,144	4,653	5,922	11,686	29,844
Charge for year	366	65	409	353	1,020	2,213
Eliminated on disposals	0	0	0	(598)	(693)	(1,291)
At 31 December 2011	4,805	3,209	5,062	5,677	12,013	30,766
Net book value at 31 December 2011	8,664	3,653	5,688	4,180	4,943	27,128
Net book value at 31 December 2010	8,632	3,679	5,976	3,862	5,079	27,228

The net book value of leasehold property held under long leases included in land and buildings above is £58,000 (2010 £59,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

11. FIXED ASSETS - JOINT VENTURE INVESTMENT IN ESTUARY SERVICES LIMITED

Consolidated	Shares £000	Retained Profit £000	Total £000
At 1 January 2011	2	427	429
Share of profit for year	0	139	139
Actuarial loss on defined benefit pension scheme	0	(500)	(500)
At 31 December 2011	2	66	68

PLA	2011 £000	2010 £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 £131,000 (2010 £127,000) and was charged £2,097,000 (2010 £1,955,000) for boarding and landing services. At 31 December 2011 the PLA owed £163,000 (2010 £405,000) to Estuary Services Limited for unpaid boarding and landing services received.

12. CAPITAL COMMITMENTS

Consolidated	2011 £000	2010 £000
Capital expenditure which has been contracted for but which has not been provided for in the accounts	15,919	18,168

PLA	2011 £000	2010 £000
Capital expenditure which has been contracted for but which has not been provided for in the accounts	15,553	17,504

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 for the construction of a Mooring Maintenance Vessel for £5.9m. Delivery is expected in 2014.

13. FINANCIAL COMMITMENTS

	2011			2010		
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	290	12	302	284	4	288
In the second to fifth year inclusive	57	27	84	80	28	108
Over five years	52	0	52	60	0	60
	399	39	438	424	32	456

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

14. DEFERRED TAX

Consolidated and PLA	2011 £000	2010 £000
Balance at 1 January	6,464	4,087
Profit and loss account movement for the year (Note 8a)	(442)	(435)
Credited to the STRGL	171	2,812
Balance at 31 December	6,193	6,464
Deferred tax comprises:		
Accelerated capital allowances	(882)	(747)
Other timing differences	670	973
Deferred tax excluding that relating to pensions	(212)	226
Pension deficit	6,405	6,238
Total deferred tax	**6,193**	**6,464**

Of the total deferred tax asset of £6,193,000 (2010 £6,464,000), £6,405,000 (2010 £6,238,000) is included within the net pension liability on the balance sheet.

The total deferred tax movement in the year includes a charge of £500,000 (2010 £144,000) as a result of the change in the rate at which deferred tax is recognised from 27% to 25% (2010 28% to 27%). This figure is made up of £4,000 (2010 £23,000) for amounts previously credited to the profit and loss account and £496,000 (2010 £121,000) for amounts previously credited to the STRGL.

15. CURRENT ASSETS – DEBTORS

	Consolidated		PLA	
	2011 £000	2010 £000	2011 £000	2010 £000
Amounts due within one year:-				
Trade debtors	5,414	5,612	5,362	5,559
Amounts owed by Port of London Properties Ltd	0	0	6	6
Deferred tax (Note14)	0	226	0	226
Other debtors	525	282	525	282
Prepayments and accrued income	992	776	992	776
	6,931	6,896	6,885	6,849
Amounts due after one year:-				
Trade debtors	13,164	12,880	284	0
	20,095	19,776	7,169	6,849

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

16. CURRENT LIABILITIES – CREDITORS

	Consolidated		PLA	
	2011 £000	2010 £000	2011 £000	2010 £000
Amounts falling due within one year:-				
Bank overdraft	385	0	385	0
Trade creditors	85	85	85	85
Amounts owed to joint venture company	163	405	163	405
Other taxation and social security	831	887	831	887
Corporation tax	45	1,089	38	1,072
Other creditors	592	756	592	756
Accruals and deferred income	3,402	3,507	3,385	3,492
	5,503	6,729	5,479	6,697

17. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Consolidated and PLA	2011 £000	2010 £000
Amounts falling due after more than one year:-		
Deferred Income		
Repayable in years 2 - 5	400	400
Repayable after 5 years	1,747	1,847
Other creditors	360	360
	2,507	2,607

18. PROVISIONS FOR LIABILITIES AND CHARGES

	2011			2010
Consolidated and PLA	Deferred Tax £000	Other £000	Total £000	Total £000
At 1 January	0	16,965	16,965	17,199
Utilised during the year	0	(408)	(408)	(922)
Increase in provision due to unwinding of discount at 4%	0	678	678	688
Arising during the year	212	(8)	204	0
At 31 December	212	17,227	17,439	16,965
Payable within 1 year	212	915	1,127	677
Payable in years 2 - 5	0	3,247	3,247	2,974
Payable after 5 years	0	13,065	13,065	13,314
	212	17,227	17,439	16,965

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

19. CONTINGENT LIABILITIES

The Pilots National Pension Fund (PNPF) is an industry-wide defined benefits pension scheme. As at 31 December 2004, the date of the most recent full triennial valuation carried out by an independent actuary, the scheme had assets with a market value of £339m, representing 76 per cent of the benefits accruing to members after allowing for future increases.

During 2008 the Trustee of the scheme started a process of seeking a Court ruling to determine a mechanism for the allocation of the past deficit within this scheme.

In 2010 the Court decided that the Trustee has the power under the Rules of the Scheme to amend the Scheme so as to impose contributions on all categories of Competent Harbour Authority (CHA) whether their authorised pilots are employed or self-employed, hence including those ports whose pilots are self employed.

This decision was appealed in 2011 but that appeal was subsequently withdrawn and the final Order bringing the litigation to an end was made in early 2012.

The current scheme rules do not provide a mechanism for the allocation of past-service deficits relating to the period prior to 1988 when pilotage was devolved to the ports. A number of different legal opinions have been issued concerning this scheme and the PLA is unable to determine its share of the past-service deficit on a reasonable basis. The potential pre-tax liability that could arise in relation to the past-service deficit for this scheme could range from £20m to £30m as at 31 December 2011 based on indications of the level of the deficit provided by the Trustee pending a full valuation.

In the absence of an agreement on the allocation of the past-service deficit, the PLA in common with other ports is unable to determine its share of the assets and liabilities for this scheme on a consistent and reliable basis and therefore continues to account for this scheme as a defined contribution scheme.

The Trustee and the ports are actively engaged in negotiations to bring about an equitable allocation and repair of the deficit.

20. PROFIT AND LOSS RESERVE

	Consolidated		PLA	
	2011 £000	2010 £000	2011 £000	2010 £000
At 1 January	42,669	32,600	24,085	13,432
Profit for year	4,152	4,353	3,975	5,083
Actuarial (loss) / gain on pension schemes	(33,503)	2,758	(33,503)	2,758
Current UK corporation tax on defined benefit pension schemes	669	0	669	0
Movement in deferred tax relating to pension schemes	171	2,812	171	2,812
Share of actuarial (loss) / gain on joint venture defined benefit pension scheme (net of deferred tax)	(500)	146	0	0
At 31 December	13,658	42,669	(4,603)	24,085

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

21. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 £000	2010 (Restated) £000
Group operating profit	5,682	7,735
Less share of operating profit of joint venture	(170)	(218)
Group operating profit excluding joint venture	5,512	7,517
Depreciation and impairment of tangible fixed assets	2,213	2,161
Amortisation of intangible fixed assets	7	6
(Profit) / loss on disposal of fixed assets	(213)	10
(Increase) / decrease in stocks	(28)	14
(Increase) / decrease in debtors	(305)	151
(Decrease) / increase in creditors	(433)	2,476
Decrease in provisions for liabilities and charges	(416)	(922)
Difference between pension charge and cash contributions	(1,908)	(3,631)
Cash inflow from operating activities	**4,429**	**7,782**

22. RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET FUNDS

	2011 £000	2010 £000
Decrease in cash	(9,426)	(5,598)
Cash outflow from net increase in liquid resources	10,109	9,891
Change in net funds resulting from cash flows	683	4,293
Net funds at 1 January	38,002	33,709
Net funds at 31 December	**38,685**	**38,002**

23. ANALYSIS OF CHANGE IN NET FUNDS

	At 1 January 2011 £000	Cash flows £000	At 31 December 2011 £000
Cash and bank balances	13,111	(9,041)	4,070
Overdrafts	0	(385)	(385)
Cash and bank balances including overdrafts	13,111	(9,426)	3,685
Current asset investments - liquid resources	24,891	10,109	35,000
Net funds	**38,002**	**683**	**38,685**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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. In the opinion of the members the PLA will be able to meet this commitment in full.

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.

26. 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 23 March 2012, comprised:-

Chairman: W D Everard

Port Authority Committee Persons:-	**Members' Committee Persons:-**
R L Everitt	P Durkin
B Chapman	D Lloyd
R S Steedman	C McQueen
R D M Lenthall	R G Brodie
P J Matthews (retired 29.02.12)	R Quy

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

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26. PENSIONS – CONTINUED

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 PILOTS NATIONAL PENSION FUND

In the absence of an agreement on the allocation of the past-service deficit, the PLA is unable to determine its share of assets and liabilities for this industry-wide scheme on a consistent and reasonable basis and therefore continues to account for this scheme as a defined contribution scheme. See note 19.

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 2011. The principal actuarial assumptions at the balance sheet date were as follows:-

	Consolidated and PLA All Schemes		
	2011	2010	2009
Discount rate	4.60%	5.60%	5.80%
Expected return on scheme assets at the end of the year	3.4%-5.5%	5.25%-6.2%	5.0%-5.8%
Rate of increase in salaries	3.40%	3.90%	4.00%
Price inflation	2.90%	3.40%	3.50%
Pension increases (min 3%, max 5%)	3.50%	3.70%	3.75%
Post-retirement mortality	#1	#1	#1

#1: SAPS tables, birth year, with medium cohort improvements, underpin of 0.5% per annum and mortality at all ages increased by 10%

	2011			2010			2009		
Plan Assets – PLAPF	£m	%	EROA	£m	%	EROA	£m	%	EROA
Equities	45.6	18%	7.75%	51.5	20%	7.75%	48.4	19%	7.75%
Hedge Funds	51.0	20%	7.75%	52.0	20%	7.75%	0.0	0%	0.00%
Fixed interest gilts	1.2	0%	2.80%	0.0	0%	4.20%	45.2	18%	4.50%
Index linked gilts	34.2	13%	2.80%	33.6	13%	4.00%	18.8	8%	4.30%
Corporate bonds (including overseas)	122.8	48%	4.60%	120.5	46%	5.60%	133.1	54%	5.80%
Cash and other assets	2.7	1%	0.50%	2.0	1%	0.50%	3.2	1%	0.50%
Total plan assets	257.5	100%	5.50%	259.6	100%	6.20%	248.7	100%	5.80%
Expected rate of return on plan assets			5.5%			6.2%			5.8%

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26. PENSIONS – CONTINUED

Plan Assets – PLAWWOPF	2011 £m	2011 %	2011 EROA	2010 £m	2010 %	2010 EROA	2009 £m	2009 %	2009 EROA
Equities	1.9	8%	7.75%	6.0	23%	7.75%	5.2	21%	7.75%
Fixed interest gilts	5.8	23%	2.80%	5.3	21%	4.20%	7.8	32%	4.50%
Index linked gilts	0.2	1%	2.80%	0.6	2%	4.00%	1.7	7%	4.30%
Corporate bonds (including overseas)	3.7	15%	4.60%	13.6	53%	5.60%	9.2	38%	5.80%
Diversified Growth Fund	3.0	12%	7.75%	0.0	0%	n/a	0.0	0%	n/a
Insurance Policies	9.8	39%	4.60%	0.0	0%	n/a	0.0	0%	n/a
Cash and other assets	0.4	2%	0.50%	0.3	1%	0.50%	0.5	2%	0.50%
Total plan assets	24.8	100%	4.70%	25.8	100%	5.70%	24.4	100%	5.60%
Expected rate of return on plan assets			4.7%			5.7%			5.6%

Plan Assets – PLARBS	2011 £m	2011 %	2011 EROA	2010 £m	2010 %	2010 EROA	2009 £m	2009 %	2009 EROA
Equities	0.0	0%	7.75%	0.0	0%	7.75%	0.0	0%	7.75%
Fixed interest gilts	1.6	53%	2.80%	0.5	17%	4.20%	1.1	33%	4.50%
Index linked gilts	0.1	3%	2.80%	0.1	3%	4.00%	0.4	12%	4.30%
Corporate bonds (including overseas)	1.1	37%	4.60%	2.4	79%	5.60%	1.7	52%	5.80%
Cash and other assets	0.2	7%	0.50%	0.0	1%	0.50%	0.1	3%	0.50%
Total plan assets	3.0	100%	3.40%	3.0	100%	5.25%	3.3	100%	5.00%
Expected rate of return on plan assets			3.40%			5.25%			5.0%

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	2011 £000	2010 £000
PLAPF	11,097	22,941
PLAWWOPF	289	2,529
PLARBS	403	289
	11,789	25,759

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26. PENSIONS – CONTINUED

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

Amounts to be recognised in the balance sheet	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000
At 31 December 2011				
Fair value of scheme assets	257,547	3,029	24,831	285,407
Actuarial value of scheme liabilities*	(310,189)	(4,469)	(20,196)	(334,854)
(Deficit) / surplus in the schemes	(52,642)	(1,440)	4,635	(49,447)
Irrecoverable surplus	0	0	(4,635)	(4,635)
Pension liability recognised in balance sheet before allowance for deferred tax	(52,642)	(1,440)	0	(54,082)
Related deferred tax	6,045	360	0	6,405
Net pension liability	(46,597)	(1,080)	0	(47,677)
At 31 December 2010				
Fair value of scheme assets	259,610	3,004	25,803	288,417
Actuarial value of scheme liabilities*	(281,368)	(4,351)	(20,442)	(306,161)
(Deficit) / surplus in the schemes	(21,758)	(1,347)	5,361	(17,744)
Irrecoverable surplus	0	0	(5,361)	(5,361)
Pension liability recognised in balance sheet before allowance for deferred tax	(21,758)	(1,347)	0	(23,105)
Related deferred tax	5,875	363	0	6,238
Net pension liability	(15,883)	(984)	0	(16,867)

* 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:

	2011 £000	2010 £000
PLAPF	1,633	1,433
PLARBS	136	119
PLAWWOPF (unrecognised due to irrecoverable surplus on scheme)	465	387
	2,234	1,939

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

	All Schemes	
Year ended December:	2011 £000	2010 £000
Opening defined benefit liability	306,161	300,354
Admin reserve balances	295	216
Service cost	3,725	3,381
Interest cost	16,567	16,818
Employee contributions	945	884
Actuarial losses on scheme liabilities	28,833	6,370
Benefits paid	(21,672)	(21,862)
Past service costs	0	0
Closing defined benefit liability	334,854	306,161

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26. PENSIONS – CONTINUED

Analysis of the defined benefit obligation

Year ended December:	All Schemes 2011 £000	2010 £000
Present value of unfunded liabilities	0	0
Present value of funded liabilities	334,854	306,161

Reconciliation of fair value of plan assets

Year ended December:	All Schemes 2011 £000	2010 £000
Opening fair value of scheme assets	288,417	276,408
Expected return on scheme assets	17,277	15,566
Actuarial (losses) / gains on scheme assets	(5,488)	10,193
Contributions by the company	5,928	7,228
Contributions by employees	945	884
Benefits paid	(21,672)	(21,862)
Closing fair value of scheme assets	285,407	288,417

Estimate of the Profit & Loss Figures before tax for the year ending 31 December 2012

	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000
Service Cost*	4,410	0	70	4,480
Interest Cost	13,862	187	882	14,931
Expected return on assets	(13,781)	(98)	(1,139)	(15,018)
Effect of irrecoverable surplus	0	0	187	187
Net profit & loss charge before tax	4,491	89	0	4,580

* The service cost is net of employee contributions

	£000	£000	£000	£000
Employers best estimate of contributions to be paid to the fund in 2012*	4,800	215	0	5,015

* 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. From 2012 up to 17 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 £4.8m includes the additional £1.6m due in 2012. 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 December 2011 an additional £1m over and above the agreed recovery plan was paid to the fund (2010 £1m).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26. PENSIONS – CONTINUED

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

Year ended December:	All Schemes 2011 £000	2010 £000
Opening cumulative STRGL	(17,159)	(22,729)
Actuarial (losses) / gains net of deferred tax	(33,332)	5,570
Closing cumulative STRGL	(50,491)	(17,159)

History of assets, liabilities and actuarial gains and losses

	All Schemes				
Year ended December:	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Fair value of scheme assets†	285,407	288,417	276,408	270,281	305,833
Present value of defined scheme liability	(334,854)	(306,161)	(300,354)	(266,125)	(293,374)
(Deficit) / surplus #	(49,447)	(17,744)	(23,946)	4,156	12,459
# Includes irrecoverable surplus on PLAWWOPF.	4,635	5,361	4,161	5,679	10,128

† Scheme assets shown at bid value at all dates.

	All Schemes				
Year ended December:	2011	2010	2009	2008	2007
Experience (loss) / gain on scheme liabilities and changes in assumptions					
Amount (£000)	(28,833)	(6,370)	(35,431)	27,139	18,868
Percentage of the present value of the scheme liabilities	(9%)	(2%)	(12%)	10%	6%
Difference between the expected and actual return on scheme assets					
Amount (£000)	(5,488)	10,193	10,238	(35,596)	(6,470)
Percentage of the present value of the scheme assets	(2%)	4%	4%	(13%)	(2%)

Amounts to be recognised in the profit and loss account

	Year ended 31 December 2011				
	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000	2010 £000
Movement in administration expense reserve	200	17	78	295	216
Current service cost	3,553	0	172	3,725	3,381
Total service cost	3,753	17	250	4,020	3,597
Analysis of other financial income / (costs)					
Interest on pension scheme liabilities	(15,252)	(222)	(1,093)	(16,567)	(16,818)
Expected return on assets in the pension scheme	15,694	148	1,343*	17,185	15,431
Other financial income / (costs) attributable to the PLA	442	(74)	250	618	(1,387)
Share of other financial income / (costs) in joint venture				5	(11)
Total other financial income / (costs)				623	(1,398)

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26. PENSIONS – CONTINUED

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

	2011 £000	2010 £000
Actual return less expected return on pension scheme assets	(4,342)	8,998
Actuarial losses on scheme liabilities	(29,161)	(6,240)
Actuarial (loss) / gain recognised in STRGL before adjustment for tax	(33,503)	2,758

Movement in schemes' net deficit during the year

	2011 £000	2010 £000
Combined deficit in schemes at beginning of year	(23,105)	(28,107)
Movements in year to 31 December:-		
Service cost	(4,020)	(3,597)
Employer contributions	5,928	7,228
Other finance income / (costs)	618	(1,387)
Actuarial (loss) / gain	(33,503)	2,758
Combined deficit in schemes at end of year	(54,082)	(23,105)

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 2011

We have audited the financial statements of the Port of London Authority for the year ended 31 December 2011 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 United Kingdom Harbours Act 1964, as amended by the United Kingdom 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 2011 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:

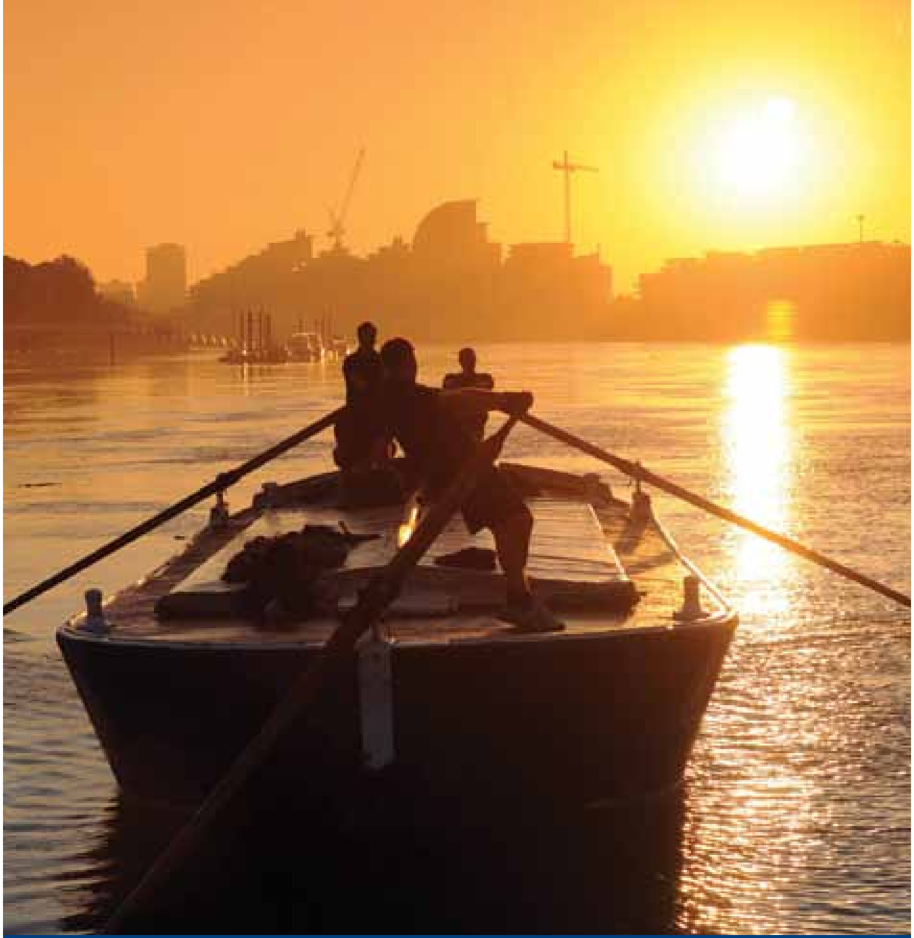
- give a true and fair view of the state of the group's and PLA's affairs as at 31 December 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981.

Ernst & Young LLP
Statutory Auditor
London

May 2012

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.



ANNUAL REPORT & ACCOUNTS 2011

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PORT OF LONDON AUTHORITY