

# **Port of London Authority Annual Report & Accounts 2013**





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





2013



# PORT OF LONDON AUTHORITY



ANNUAL REPORT & ACCOUNTS 2013

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## Trade and financial highlights

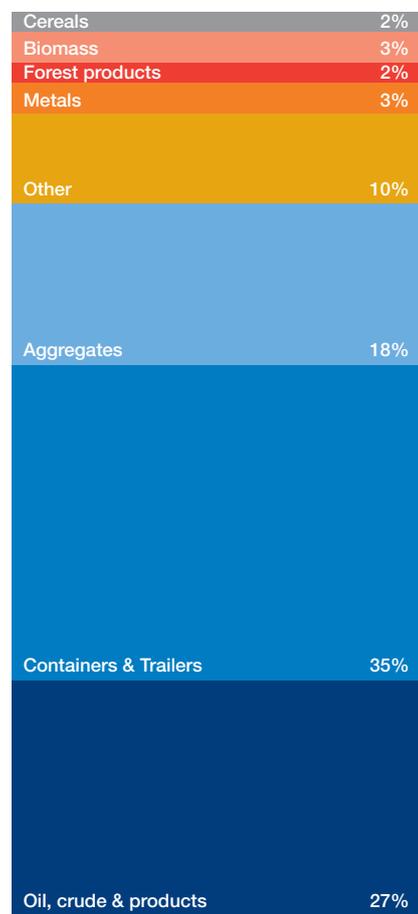
### for the year ended 31 December 2013

Trade – million tonnes	2013	2012
Imports	36.4	36.3
Exports	6.8	7.4
Total	43.2	43.7

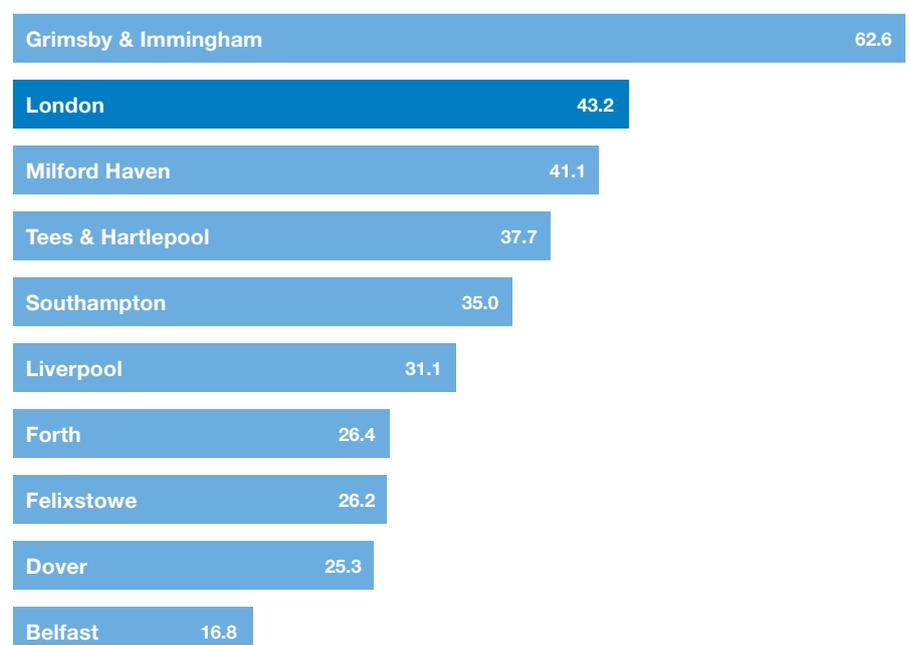
Unitised Traffic Thousand TEUs – (included in above tonnages)	2013	2012
Imports	977	958
Exports	976	941
Total	1,953	1,899
Number of chargeable vessel arrivals to the Port of London	8,772	8,736

Financial Highlights £m	2013	2012
Turnover	48.7	46.4
Operating profit	7.3	6.5
Net cash inflow from operating activities	3.4	1.9

#### London Trade 2013



#### UK Port Traffic 2013\*



\* Source: Department for Transport

## Members of the Authority

as at 27 March 2014

### **Dame Helen Alexander, DBE**

Dame Helen Alexander is chairman of the Port of London Authority (PLA), 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 and is responsible for all operational and navigational matters including vessel traffic management, hydrography, harbour services, port security and navigation systems. Previously, he 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 and served in the Royal Navy as a specialist navigator and submarine captain. He is a younger brother at Trinity House and a member of the Honourable Company of Master Mariners.

### **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.

## Members of the Authority

as at 27 March 2014

### 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.

### R 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 20 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 PLA board in March 2012, and 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.

### R J D Mortimer (chief executive designate)

Robin Mortimer joined the PLA as chief executive designate on 1 March 2014, ahead of taking over the role in April.

Robin worked in the UK civil service from 1994, having gained a degree in Modern History from The Queen's College, Oxford University and MSc in Development Studies from SOAS, London University. In the early part of his civil service career he held roles including private secretary to the deputy prime minister and the secretary of state for transport, in which he led on maritime, aviation, transport security and London transport issues.

Joining the Department for Food Environment and Rural Affairs in 2004 as a deputy director, Robin led the Rural Strategy Division for three years. In 2006, he moved to the Office of Climate Change, where he designed the UK's Climate Change Bill. In 2007, he was appointed as director of the Adapting to Climate Change programme, and subsequently was director for farming, biodiversity and sustainable land use. In this role he led the project to establish the Canal & River Trust and directed the Government's Major Infrastructure and Environment Unit.

### S J Grundy (secretary to the authority)

Susan Grundy joined the PLA in June 2006 and progressed to the role of secretary to the authority in September 2013. Susan previously managed the administration team for a large charity for the homeless, where she supported their board and audit committee. Her time working for a chartered accountant gave her a good understanding of company secretarial practice which she now applies in her current role.

## Board & committees

as at 27 March 2014

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 27 March 2014.

There are six committees of the Board. Membership of the Board and committees as at 27 March 2014 is listed below:

### Board Members

#### Chairman

Dame Helen Alexander (N\*, R\*)

#### Vice Chairman

J F Mills, CBE (A, L\*, N, R, P, C\*)

#### Non-executive members

W D Everard, CBE (A, R, P\*)

R D M Lenthall (L, P, C)

A J Quinlan (A\*)

R S Steedman, CBE (L, P)

#### Executive members

B Chapman (Chief Financial Officer) (P)

R L Everitt (Chief Executive) (L, P, C)

D G Phillips, MVO (Chief Harbour Master) (L)

#### Secretary to the Authority

S Grundy

Note: committee chairmen are denoted by (\*)

### Management Executive Committee

#### Chief executive

R L Everitt

#### Chief executive (designate)

R J D Mortimer

#### Chief financial officer

B Chapman

#### Chief harbour master

D G Phillips, MVO

#### Director of corporate affairs

A F Gale

#### Director of marine operations

P Steen

#### Director of planning and environment

J Trimmer

#### Director of human resources

G W Witham

### 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)

## Chairman's statement

The tidal Thames is the UK's most diverse and busy waterway: and it's getting busier. 2013 saw the official opening on the Thames of the UK's first brand new container terminal in over 20 years. More people than ever before are taking to the river, to commute, to enjoy the sights or to enjoy time together. And the river is being used more intensively to service major infrastructure schemes. In summary, the Thames is playing a key and important part in delivering the growth agenda, not only for London, but also the country more widely.

### River use

In 2013, passenger journeys on the river reached a new high and the movement of freight within the port passed five million tonnes. Both achievements are the result of concerted partnership work between the PLA, the Mayor, the Greater London Authority, Transport for London, river operators, borough councils, developers and other stakeholders.

More than eight million passenger journeys were taken on the river during 2013, an increase of two million on 2012 – a true Olympic legacy. Improved piers, new vessels and better services drove growth across leisure, commuter and charter passenger numbers. This is the first success for the Mayor's River Action Plan that aims to double the annual number of Thames passenger journeys to 12 million by 2020. As part of the River Concordat Steering Group, we are advising the Mayor, Transport for London and London River Services on work to achieve this goal.

The volume of inland waterways freight being moved on the river grew by a further two million tonnes in 2013 to 5.3 million tonnes. This follows long-term work in support of projects such as Crossrail, which is now using the Thames to take tunnelling spoil out of London and to bring concrete tunnel linings to site. Similarly, Thames Water has now moved more than one million tonnes of spoil by river from the Lea Tunnel scheme at Beckton. In the longer term, the river is fundamental to the environmentally-sustainable delivery of the Thames Tideway Tunnel scheme.

Port trade during the year was stable at 43 million tonnes. This was a robust performance in the face of continued economic uncertainty, though the end of the year was markedly stronger than expected. The biggest increase in trade was in building materials (aggregates and cement), with volumes up by 1.3 million tonnes. There were also significant increases in throughput of containers and roll-on/roll-off (unitised) goods, biomass, vegetable oils/oil seed and general cargo. The most significant decline was in fuel trades, as this was the first full year after the closure of the Coryton oil refinery, which imported large volumes of crude oil.

After years of planning, approvals and development, London Gateway container port opened to its first call on 7 November 2013. This major milestone followed Marks & Spencer's announcement earlier in the year of plans to build a major new distribution centre at the site.

The London Gateway team drew extensively on PLA expertise in the project's development, as did RWE for its trial using biomass fuel at Tilbury power station. Our expertise is the key element we bring to support the growth agenda. It comes in many forms, connecting people with others, counselling, advising, managing risk, modelling proposed operations, approving plans and providing services when the planning is done and work on site has started.

A busy, diverse river demands the highest standards of navigational safety and this is our main focus. Through the year we continued our work to improve river safety with innovations in technology and standards. Portable pilot unit technology is now established on the Thames, assisting with navigating the largest vessels to and from terminals on the river. We also adopted new vessel and operational standards to address the burgeoning operations on the river through London, after extensive work with river operators and the Maritime Coastguard Agency.

The health of the Thames is essential to its long-term use and enjoyment by river users and wider communities. We work with partners to protect and improve the Thames environment, with activities spanning the licensing of dredging and river works to the conservation and improvement work we carried out on the Thames island, Oliver's Ait. The Zoological Society of London (ZSL) Thames survey, which found 708 seals in the first-ever estuary count by air, land and sea, is an indication of the river's health.

### Finances

The profit for the financial year was £6.1 million, an increase of 5%. Turnover, excluding the PLA share of Estuary Services Ltd, a joint venture with Port of Sheerness Limited, rose 5% to £48.1 million. The increase reflects the effect on revenue of a transaction completed in December to sell reclaimed land to London Gateway Port Ltd. The PLA entered into an agreement in 2010 to transfer the title to the land, formerly part of the foreshore, as and when the new London Gateway berths became operational.

Costs, including the financial effects of the various pension funds the PLA is concerned with, rose 3.1% so that operating profit for 2013 was £7.3 million, an increase of 12.5%.

The total recognised gain in the year was £17.1 million after accounting for actuarial gains in the various pension schemes in which the PLA participates. The group was able to cover from operations all its cash requirements, including contributions to the repair programme agreed with the trustees of two schemes: the main PLA Pension Scheme; and the PLA's share of the liability in the Pilots' National Pension Fund. The net cash position was in balance.

## Chairman's statement

### Governance

The PLA's governance is consistent with best practice and the requirements of the Department for Transport's guidance, Modernising Trust Ports II. The Board sets the direction and tone for the organisation, in conjunction with the executive committee. The river and the PLA have a diverse and engaged stakeholder community. Open communication is a cornerstone of our approach and ensures consistent accountability to stakeholders.

Compliance with the Port Marine Safety Code is critical for the PLA, and we review performance regularly with the guidance of the 'Designated Person', as set out in the Code.

I am particularly keen to see good succession planning in the organisation. So I am delighted that we identified Robin Mortimer, a director at DEFRA, to succeed Richard Everitt as PLA chief executive from April.

During his nine years at the PLA, Richard has been influential within the organisation, on the Thames and in the wider ports industry. He was instrumental in making the PLA easier to deal with, oversaw the development of Marine House as a purpose-built base for our Marine Services operation and led us through the river pageant and Olympic-related events of 2012.

On the river, his tenure saw the dredging of Prince's Channel, improving the southern access to the port. And at industry level he worked tirelessly, notably as chairman of the United Kingdom Major Ports Group, playing an instrumental role in securing an agreement on the Pilots' National Pension Fund deficit settlement. He will leave with our deep thanks for a job well done.

### Outlook

Long-term prospects for the river and the PLA look positive. In the short to medium term port trade, particularly in the energy sector, will continue to rebalance. The level of port trade is linked to the health of the UK economy, which is recovering from recession. A wider spreading of this recovery beyond the UK and US will support growth in port trade.

Investment, a key indicator of the health of the port, remains strong, underpinned by the Thames's role as gateway to the largest consumer market in the UK. We look forward to London Gateway, a development that has drawn heavily on PLA expertise and services during its development, attracting new services to the Thames.

Forth Ports is investing across the Port of Tilbury, in London International Cruise Terminal and London Distribution Park on land adjacent to the port. At Greenwich, West Properties' planned development of London City Cruise Port, the first alongside cruise facility within Greater London, will be a welcome addition to river facilities.

Changes in the energy sector continue to impact the river. In 2014 we will see the return to operation of the former Coryton oil refinery site, as Thames Oilport. Against this positive news, is the disappointment of RWE being unable to find financial support for its plans to develop long-term biomass-fuelled operations at Tilbury Power Station. This was particularly disappointing for the PLA as the marine element of their extended biomass fuel trial proved successful.

On the Thames there are proposals to designate 58 miles as a Marine Conservation Zone (MCZ), an area encompassing all the operational terminals. Given the work already underway to sustain a thriving port and a thriving environment within existing designations, this seems a potentially burdensome step that could impact further economic growth. We shall be maintaining our concern over this with DEFRA as they seek to balance between the economic, social, and environmental spheres.

Thames Water's Thames Tideway Tunnel is set to be the biggest single project on the river over the next ten years and one of the dominant projects for the PLA. It will involve numerous construction and other sites affecting the river and substantial numbers of additional barge movements carrying tunnelling spoil from, and building materials to, sites.

We will run operations on a river busier with Thames Tideway Tunnel traffic, increased passenger vessel movements and existing river traffic. More use of the river is creating demand for greater numbers of skilled navigators. We support the operators' Thames Training Alliance as a way to create this pool of skilled labour.

### Our people

Ensuring the safety of Thames river users falls to our dedicated staff of 345 people. Every day our teams are sharing their marine and Thames expertise to help people make the most of the river safely. In addition to 'business as usual' they also provide the essential support for planned national events like the University Boat Race, and for the exceptional, such as running extra patrols when the Thames Barrier is closed.

Without their hard work and dedication we could not deliver our essential safety service. On behalf of the Board I extend my thanks and appreciation to them all.

**Dame Helen Alexander**

**Chairman  
27 March 2014**

# Strategic Report

## Business Model

### Vision, Mission and Strategic Priorities

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 are:

- 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

### Principal Activities

We manage safety of navigation on the tidal Thames from just below Teddington Lock eastwards for a distance of 95 miles well into the Thames Estuary.

Our operations, run in line with the Port Marine Safety Code, include:

- providing pilotage services;
- operating a Vessel Traffic Service;
- hydrographic surveying;
- dredging; and
- providing aids to navigation.

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 amenity.

## Income

The PLA is a self-financing corporation constituted under the Port of London Act 1968, as subsequently amended by other Acts and Harbour Revision Orders, the latest being in 2005. We aim to cover our costs and generate a surplus for reinvestment in the business from four principal sources of income:

- Conservancy fees levied on vessels using the river, and the cargo that they carry
- Pilotage fees, for the provision of pilots who guide vessels to and from Thames berths
- River works licence fees for the placing of structures in, over or under the riverbed and for the mooring of vessels
- Charges for services provided (such as: hydrographic surveys and marine services)

Our principal expenses are in the provision of our core safety services such as pilotage, Vessel Traffic Services and harbour patrols. Discharging these services involves supporting a core workforce of 345 people, and operating a fleet of 40 vessels and an extensive radar and electronic communication network.

The use of the river for the movement of freight, passengers, or other purposes such as events, is key to the financial health of the business. Consequently the continued evolution of energy trades on the river, with the closure in the last 18 months of both the oil refinery at Coryton and power station at Tilbury, have had an adverse financial impact on the PLA.

The opening of the London Gateway container port, with its associated logistics park will be a significant contribution to the port over the medium term. The attraction of riverside freight sites often sees them brought back into use and the oil refinery is being turned into a fuel products import centre.

The Mayor of London's aspirations to increase the use of the river for passenger journeys and movement of freight, particularly through large infrastructure schemes such as Crossrail and the Thames Tideway Tunnel, is also positive.

## Strategic Report

### Financial results

The profit for the financial year was £6.1 million, an increase of 5%. Turnover, excluding the PLA share of Estuary Services Ltd, a joint venture with Port of Sheerness Limited, rose 5% to £48.1 million. The increase reflects the effect on revenue of a transaction completed in December to sell reclaimed land to London Gateway Port Ltd. The PLA entered into an agreement in 2010 to transfer the title to the land, formerly part of the foreshore, as and when the new London Gateway berths became operational.

Costs, including the financial effects of the various pension funds the PLA is concerned with, rose 3.1% so that operating profit for 2013 was £7.3 million, an increase of 12.5%.

The total recognised gain in the year was £17.1 million after accounting for actuarial gains in the various pension schemes in which the PLA participates. The group was able to cover from operations all its cash requirements, including contributions to the repair programme agreed with the trustees of two schemes: the main PLA Pension Scheme; and the PLA's share of the liability in the Pilots' National Pension Fund. The net cash position was in balance.

### Key developments

#### Challenges

The PLA faces four main challenges in the next five to ten years:

- The continuing evolution of port trade, particularly in the energy sector. In the last three years, the port has lost two major facilities – the oil refinery and power station – together accounting for over ten million tonnes of port trade. While some of this has been recovered, port trade remains substantially lower than its 53 million tonnes peak in 2008. Port trade will continue to evolve.
- Facilitating Thames Water's Thames Tideway Tunnel project. The Tunnel's construction will involve creating numerous construction and other sites in the river, together with the river-borne movement of some five million tonnes of tunnelling spoil and many millions of tonnes of construction materials. This will create further navigational challenges on the river and additional barge traffic servicing the project is likely to require more direct management in central London than previously.
- Handling larger vessels on the river. London Gateway Port is able to handle the largest container ships in the world (previously unable to call on the Thames) and larger tankers are expected at terminals at Shell Haven, Coryton and Canvey Island. We are addressing the handling of these vessels through continued pilot training and the adoption of new technology, including pilot portable units and a congestion planning tool.
- Funding deficit payments to pension funds. The PLA has to fund both a substantial actuarial deficit in its main Pension Scheme and also its share of a further liability in the Pilots National Pension Fund. The cost of the annual payments to the two pension recovery plans is more than £5 million.

#### Investment

The PLA invests to sustain and improve the equipment and facilities it uses to perform its duties. Investments either in hand or recently completed include:

#### Vessels:

- Construction of a new mooring maintenance vessel, London Titan. The £6.9 million vessel is specially designed for our marine operations on the Thames and replaces two vessels over 40 years old.
- Acquisition of a new hydrographic vessel. A tender has been issued for expressions of interest in the construction of a vessel to replace one of our main hydrographic survey vessels in the next two to three years.

#### Infrastructure:

- Radar network upgrade. Radars in our 18-strong network are progressively being replaced with new 'solid-state' technology, offering greater resilience and signal quality.
- Office accommodation renewal:
  - Our main office, London River House in Gravesend, will be upgraded over the next 18 months to ensure more environmentally-efficient operations and to integrate into a single building the majority of PLA shore-based staff.
  - Our offices in Tower Pier will be upgraded and may be used as our principal base in London.

## Strategic Report

### Staffing

The PLA undertakes its work with a core staff of 345 people. It supplements this with employees on short-term contract to support projects of a fixed duration. The organisation invests in training young people and currently employs three apprentices and a marine trainee.

### Encouraging diversity

The PLA is committed to developing and maintaining a diverse workforce, promoting the recruitment and retention of men and women from diverse backgrounds, with different experiences and perspectives. We aim to foster an environment that enables all our staff to contribute to their full potential. We do not tolerate discrimination in any form.

We recruit on merit and provide a supportive environment, mentoring and extensive support for leadership and skills development. Where appropriate, we operate flexible working and family-friendly policies. During 2013 we completed a series of diversity training sessions with the whole management group.

In 2013, 16.4% of the PLA workforce was female and 5.3% were from ethnic minorities.

Today, 4.2% of the management team is female. In the last year, recruitment on merit has resulted in the appointment of senior female managers within the engineering, finance and planning teams.

All board appointments are made on merit, against objective criteria and with due regard for the benefits of diversity on the board. The current percentage of female board members is 11%, and we aim to increase that in 2014.

### Risk and risk management

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

The PLA has a structured approach to risk management, which involves a broad cross-section of employees. Risk awareness and control are paramount and the Board reviews the overall Corporate Risk Register at least annually with periodic reviews of the three risk registers: operational, internal and external. A risk appetite statement is being developed.

The PLA's principal operational risk management focus is on facilitating navigational safety. We use a Safety Management System to identify the risks, mitigate them where possible, with monitoring and frequent reassessment.

External risks primarily relate to environmental, legal, legislative, political and economic matters. Our management of environmental risk includes the licensing of structures or facilities on the river, operating the Thames Oil Spill Clearance Association and exercising periodically with relevant local authorities and regulators.

Internal risks include a number of 'legacy' risks resulting from the PLA's previous role as dock owner and operator. We continue to work on meeting these liabilities. Similarly, in common with other employers, pension schemes feature amongst the principal financial risks the PLA faces. Deficits have arisen through improved pensioner longevity and changes in the discount factors applied when undertaking valuations. Steps have been taken to control the PLA's exposure and meet its liabilities.

The economy on a macro- and micro-scale is also considered in our risk registers, particularly the potential impact of changes in the global economy which may have local repercussions, with major facilities on the Thames being created, closing down or sites being regenerated.

Personal health and safety is the subject of continued and close scrutiny. Near miss reporting and prompt sharing of lessons learned have become an embedded way of ensuring continuous performance improvement.

**Susan Grundy**  
**Secretary to the Authority**  
**27 March 2014**

## Report of the Board

### Governance

The Board is committed to maintaining the highest standards of corporate governance. It follows the principles of the Combined Code, where appropriate for a statutory organisation. The chairman is responsible for the Board's operation, leadership and governance, ensuring that it operates repeats effectively, while 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. 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 (see later note)

There were six meetings of the PLA Board in 2013; 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	5
J F Mills, CBE	5
D G Phillips, MVO	6
A J Quinlan	6
R S Steedman, CBE	4

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

The following committees of the Board also met during 2013:

Audit	3
Licensing	4
Pensions	5
Remuneration	1
Charitable Donations	2

During 2013 there were two meetings of the Charitable Donations Committee. At the last of these, the committee recommended that, with new objectives for our charitable donations agreed, the committee should disband. This recommendation was accepted by the Board.

### Appointment of Board members

The 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 has appointed three executive members to the Board.

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

### 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.

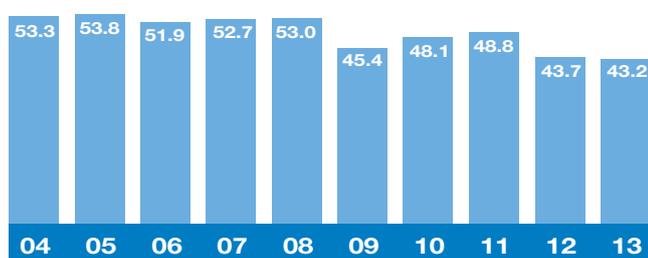
### Provision of information to auditors

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 that 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.

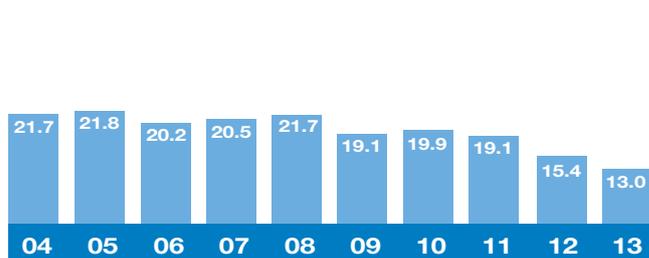
**Susan Grundy**  
**Secretary to the Authority**  
**By Order of the Board**  
**27 March 2014**

## Trade statistics

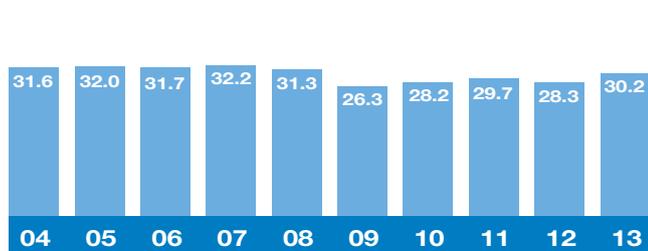
**Port of London Total Traffic**  
Million tonnes



**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	
	2013	2012	2013	2012	2013	2012
Oil, crude & products	11.5	13.4	0.1	1.2	11.6	14.6
Containers & trailers	10.9	10.6	4.2	4.2	15.1	14.8
Aggregates	7.4	6.7	0.6	0.0	8.0	6.7
Other cargo	3.7	2.9	0.5	0.9	4.2	3.8
Forest products	1.0	1.1	0.0	0.0	1.0	1.1
Biomass	1.4	0.8	0.0	0.0	1.4	0.8
Metals & ores	0.3	0.4	0.9	0.8	1.2	1.2
Cereals	0.2	0.4	0.5	0.3	0.7	0.7
<b>Total</b>	<b>36.4</b>	<b>36.3</b>	<b>6.8</b>	<b>7.4</b>	<b>43.2</b>	<b>43.7</b>

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	
	2013	2012	2013	2012	2013	2012
Ro/Ro terminals (trailers & containers)	512	493	512	486	1,024	979
Container terminals	465	465	464	455	929	920
<b>Unitised Total (TEUs)</b>	<b>977</b>	<b>958</b>	<b>976</b>	<b>941</b>	<b>1,953</b>	<b>1,899</b>

## Consolidated Profit & Loss Account

### for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
<b>Turnover including share of joint venture</b>		48,652	46,396
Less: share of joint venture		568	610
<b>Turnover excluding share of joint venture</b>	2	48,084	45,786
<b>Operating expenditure</b>	2	40,913	39,664
<b>Operating profit excluding joint venture</b>	2, 4	7,171	6,122
Share of operating profit of joint venture		125	362
<b>Operating profit including joint venture</b>		7,296	6,484
Net interest	7	188	(17)
Other financial costs	25a, 25b	(269)	(71)
<b>Profit on ordinary activities before taxation</b>		7,215	6,396
Taxation	8	(1,119)	(593)
<b>Profit for the financial year</b>	20	6,096	5,803

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 2013

	Notes	2013 £000	2012 £000
Profit for the financial year		6,096	5,803
Actuarial gain / (loss) on PLA pension schemes	25a	11,386	(27,906)
Share of actuarial gain / (loss) on Pilot's National Pension Fund	25b	527	(13,801)
Current UK corporation tax on defined benefit pension schemes		411	671
Movement in deferred tax relating to defined benefit pension schemes	14	(1,317)	4,130
		17,103	(31,103)
Share of actuarial gain / (loss) on joint venture defined benefit pension scheme (net of tax)	11	45	(317)
<b>Total recognised gains / (losses) relating to the year</b>		17,148	(31,420)

The PLA also has an unrecognised gain of £32,000 for the year ended 31 December 2013 (2012 loss of £962,000) in relation to a pension scheme which has an irrecoverable surplus (see note 25a).

## Balance Sheets

### as at 31 December 2013

	Notes	Consolidated		PLA	
		2013 £000	2012 £000	2013 £000	2012 £000
<b>Fixed assets</b>					
Intangible assets	9	241	247	241	247
Tangible assets	10	43,804	28,916	43,804	28,916
Investments	11	0	0	2	2
Joint venture:-					
Share of gross assets		1,333	1,219	0	0
Share of gross liabilities		(281)	(231)	0	0
Share of pension deficit		(871)	(954)	0	0
	11	181	34	0	0
		44,226	29,197	44,047	29,165
<b>Current assets</b>					
Stocks		205	179	205	179
Debtors – amounts due less than and more than one year	15	23,503	20,913	10,592	7,988
Liquid resources		24,000	31,000	20,174	26,252
Cash and bank balances		12,916	6,172	12,916	6,172
		60,624	58,264	43,887	40,591
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	16	19,232	5,878	19,210	5,817
<b>Net current assets</b>		41,392	52,386	24,677	34,774
<b>Total assets less current liabilities</b>		85,618	81,583	68,724	63,939
Creditors: amounts falling due after more than one year	17	1,948	2,048	1,948	2,048
Provisions for liabilities and charges	18	13,760	14,240	13,760	14,240
		15,708	16,288	15,708	16,288
<b>Net assets excluding pension deficits</b>		69,910	65,295	53,016	47,651
<b>Pension deficit</b>					
PLA defined benefit pension scheme deficits	25a	(56,439)	(68,717)	(56,439)	(68,717)
Share of Pilot's National Pension Fund deficit	25b	(14,085)	(14,340)	(14,085)	(14,340)
<b>Net liabilities including pension deficits</b>		(614)	(17,762)	(17,508)	(35,406)
<b>Reserves</b>					
Profit and loss account	20	(614)	(17,762)	(17,508)	(35,406)

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 25 March 2014 and were signed on its behalf on 27 March 2014 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 2013

	Notes	2013		2012	
		£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>	21		3,421		1,946
<b>Returns on investment and servicing of finance</b>					
Interest received		597		496	
Interest paid		0		(6)	
<b>Net cash inflow from returns on investments and servicing of finance</b>			597		490
<b>Taxation</b>					
UK Corporation tax received / (paid)		63		(260)	
			63		(260)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(4,573)		(4,437)	
Sale of tangible fixed assets		492		44	
<b>Net cash outflow from capital expenditure and financial investment</b>			(4,081)		(4,393)
<b>Net cash inflow / (outflow) before use of liquid resources and financing</b>			0		(2,217)
<b>Management of liquid resources</b>					
Decrease in short term investments			7,000		4,000
<b>Increase in cash in the year</b>	22, 23		7,000		1,783

# Notes to the Accounts

## for the year ended 31 December 2013

### 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 2013 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 weighted average risk free rate based on the Bank of England's government liability yield curve spot rate in 2013 of 1.6% (2012 1.6%). It is expected that the provision will be utilised over a period of around 40 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. In addition the PLA regularly makes sales of parts of the foreshore, river bed and airspace above it. These sales are considered by the Board to be a core part of the PLA's operational activities. These assets are not capitalised in the balance sheet with an ascribed value. These sales are therefore treated as operating activity and are accounted for as operating income with Turnover. 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. Depreciation commences when the assets are completed and ready for their intended use.

#### (g) Stocks

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

## Notes to the Accounts

### for the year ended 31 December 2013

#### (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 2013

#### 2. Operating Profit

	2013 £000	2012 £000
<b>Turnover</b>		
Conservancy charges on cargo	6,756	6,895
Conservancy charges on vessels	8,846	9,002
	15,602	15,897
Pilotage (Note 3)	14,448	14,576
River works licences and other rents	7,393	6,803
Services provided	4,596	4,559
Moorings	687	859
Landfill royalties	991	1,532
Embankment licences	2,500	44
Other revenue	1,867	1,516
	48,084	45,786
<b>Operating expenditure</b>		
Operating payroll	23,092	23,824
Supplies and services	10,978	11,798
Depreciation and amortisation	2,442	2,414
Administration: payroll	2,812	3,006
other	1,589	(1,378)
	40,913	39,664
<b>Operating profit</b>	<b>7,171</b>	<b>6,122</b>

#### 3. Pilotage

	2013 £000	2012 £000
<b>The profit and loss account includes the following relating to pilotage:-</b>		
<b>Turnover:-</b>		
providing pilotage services	14,386	14,485
issue of pilotage exemption certificates	62	91
	<b>14,448</b>	<b>14,576</b>
<b>Operating expenditure:-</b>		
providing the services of pilots	12,783	12,700
providing, maintaining and operating pilot boats	565	549
administration and other costs	1,649	1,661
legal fees in relation to the PNPF	1	7
	14,998	14,917
<b>Operating loss relating to pilotage</b>	<b>(550)</b>	<b>(341)</b>

## Notes to the Accounts

### for the year ended 31 December 2013

#### 4. Operating Profit

<b>Operating profit is stated after accounting for the following:-</b>		<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>
Auditors' remuneration	- audit of the financial statements	67	61
	- audit of the group pension schemes	28	31
	- local statutory audit for subsidiary company	4	4
	- taxation services*	13	20
	- all other services	7	22
		119	138
Operating lease rentals	- land and buildings	521	475
	- other	44	46
		565	521
Profit on disposal of fixed assets		(273)	(7)
Depreciation	- owned assets	2,436	2,407
Amortisation of intangible fixed assets		6	7

\* Included in taxation services is £9,000 (2012 £17,000) relating to the PLA.

#### 5. Employees

<b>Staff costs (including Executive Board Members) during the year were:-</b>		<b>2013</b>	<b>2012</b>
		<b>£000</b>	<b>£000</b>
Wages and salaries		18,762	19,761
Social security costs		1,912	1,975
Pensions costs		5,062	4,538
		25,736	26,274
Staff severance		141	530
		25,877	26,804

<b>The average monthly number of persons (including Executive Board Members) employed during the year was:-</b>		<b>2013</b>	<b>2012</b>
		<b>Number</b>	<b>Number</b>
Operations		295	315
Administration		50	49
		345	364

#### 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 2013

#### 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	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
<b>Executive Members:-</b>						
R L Everitt	189,419*	185,043*	2,330	2,227	191,749	187,270
B Chapman	117,136*	114,496*	2,330	2,227	119,466	116,723
D G Phillips	95,018	92,700	9,694	10,085	104,712	102,785
<b>Non-Executive Members:-</b>						
Dame Helen Alexander (Chairman)	86,000	86,000	0	0	86,000	86,000
J F Mills (Vice Chairman)	33,500	33,500	0	0	33,500	33,500
R S Steedman	24,500	24,500	0	0	24,500	24,500
R D M Lenthall	29,500	24,500	0	0	29,500	24,500
W D Everard	29,250	29,250	0	0	29,250	29,250
A J Quinlan (appointed 01.03.12)	27,750	22,344	0	0	27,750	22,344
P K Sarwal (retired 31.05.12)	0	11,562	0	0	0	11,562
P J Matthews (retired 29.02.12)	0	4,685	0	0	0	4,685
	632,073	628,580	14,354	14,539	646,427	643,119

#### 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 2013 was £20,950 per annum (2012 £18,126).

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

\* Includes car allowance:

	2013 £	2012 £
R L Everitt	10,000	10,000
B Chapman	8,877	8,877

#### 7. Net interest

	2013 £000	2012 £000
Interest receivable	408	677
Interest payable	0	(6)
Unwinding of discount on provisions for liabilities and charges (see note 18)	(220)	(689)
	188	(18)
Share of joint venture interest:-		
Receivable	0	1
	188	(17)

## Notes to the Accounts

### for the year ended 31 December 2013

#### 8. Tax on Profit on Ordinary Activities

	2013 £000	2012 £000
<b>a. Analysis of charge for the year:-</b>		
Corporation tax at 23.25% (2012 24.5%)	726	693
Adjustment in respect of prior years	10	(245)
Total corporation tax (Note 8b)	736	448
Total deferred tax (Note 14)	356	72
<b>Share of joint venture tax:-</b>		
Corporation tax at 20% (2012 20%)	9	51
Deferred tax	18	22
Total joint venture tax	27	73
Total taxation charge to profit and loss account	1,119	593
<b>b. Factors affecting current tax charge for the year:-</b>		
Profit on ordinary activities before taxation	7,215	6,396
Corporation tax thereon at 23.25% (2012 24.5%)	1,677	1,567
<b>Effects of:</b>		
Share of profit of joint venture	(30)	(87)
Disallowable expenditure	376	136
Accelerated capital allowances	(341)	34
Capital proceeds	(581)	(11)
Pension contribution relief in advance of net pension cost charge	(40)	0
Prior year adjustment	10	(245)
Losses carried back to previous year	0	240
Forward spreading of pension contributions paid	(222)	(234)
Movement in provision for liabilities and charges	(113)	(948)
Other timing differences	0	(4)
Corporation tax charge for the year (Note 8a)	736	448

#### 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 24% to 23% effective from 1 April 2013. The provision for deferred tax on temporary differences as at 31 December 2013 was calculated at 20%, the corporation tax rate effective from 1 April 2015. The differences from the application of 20% instead of 23% for the three month period to 31 March 2014 and 20% instead of 21% for the 12 month period from 1 April 2014 to 31 March 2015 are not expected to be material.

The group has capital losses carried forward of £3,486,000 (2012 £6,246,000) 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 £33,690,000 (2012 £47,801,000) or in relation to other timing differences of £11,940,000 (2012 £12,425,000) 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 2013

#### 9. Fixed Assets – Intangible Assets

<b>Consolidated and PLA</b>	<b>Licences £000</b>
<b>Cost</b>	
At 1 January 2013	330
Additions	0
At 1 January 2013 and 31 December 2013	330
<b>Amortisation</b>	
At 1 January 2013	83
Charge for year	6
At 31 December 2013	89
<b>Net book value at 31 December 2013</b>	<b>241</b>
Net book value at 31 December 2012	247

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

<b>Consolidated and PLA</b>	<b>Land and buildings £000</b>	<b>Dredging £000</b>	<b>River structures £000</b>	<b>Floating craft £000</b>	<b>Plant and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>						
At 1 January 2013	13,612	7,832	10,793	11,967	17,482	61,686
Additions	10	13,153	222	3,215	943	17,543
Disposals	0	0	0	(1,038)	(268)	(1,306)
At 31 December 2013	13,622	20,985	11,015	14,144	18,157	77,923
<b>Depreciation</b>						
At 1 January 2013	5,194	3,274	5,464	5,982	12,856	32,770
Charge for year	390	66	408	412	1,160	2,436
Eliminated on disposals	0	0	0	(821)	(266)	(1,087)
At 31 December 2013	5,584	3,340	5,872	5,573	13,750	34,119
<b>Net book value at 31 December 2013</b>	<b>8,038</b>	<b>17,645</b>	<b>5,143</b>	<b>8,571</b>	<b>4,407</b>	<b>43,804</b>
Net book value at 31 December 2012	8,418	4,558	5,329	5,985	4,626	28,916

The net book value of leasehold property held under long leases included in land and buildings above is £57,000 (2012 £58,000).

## Notes to the Accounts

### for the year ended 31 December 2013

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

<b>Consolidated</b>	<b>Shares £000</b>	<b>Retained Profit £000</b>	<b>Total £000</b>
At 1 January 2013	2	32	34
Share of profit for year	0	102	102
Actuarial gain on defined benefit pension scheme	0	45	45
At 31 December 2013	2	179	181

<b>PLA</b>	<b>2013 £000</b>	<b>2012 £000</b>
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 £137,000 (2012 £134,000) and was charged £2,116,000 (2012 £2,116,000) for boarding and landing services. At 31 December 2013 the PLA owed £152,000 (2012 £180,000) to Estuary Services Limited for unpaid boarding and landing services received.

#### 12. Capital Commitments

<b>Consolidated</b>	<b>2013 £000</b>	<b>2012 £000</b>
Capital expenditure which has been contracted for but which has not been provided for in the accounts	1,692	18,472

<b>PLA</b>	<b>2013 £000</b>	<b>2012 £000</b>
Capital expenditure which has been contracted for but which has not been provided for in the accounts	1,692	18,389

On 4 January 2010, the PLA entered into an agreement with London Gateway Port Limited to develop the site of the Shellhaven oil refinery into a container port. The project included channel dredging to a depth of 14.5 metres which provides a significant benefit to port users. The agreement stated that the PLA will contribute £17m towards dredging, hydrography services and wreck removals once the port is operational. The port became operational on 7 November 2013. The balance of the amount due has been accrued in the 2013 accounts and is payable in quarter 2 2014.

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

	2013			2012		
	Land and Building £000	Other £000	Total £000	Land and Building £000	Other £000	Total £000
<b>Annual commitments under non-cancellable operating leases expiring:-</b>						
Within one year	282	0	282	283	8	291
In the second to fifth year inclusive	92	36	128	70	29	99
Over five years	28	0	28	49	0	49
	402	36	438	402	37	439

## Notes to the Accounts

### for the year ended 31 December 2013

#### 14. Deferred Tax

<b>Consolidated and PLA</b>	<b>2013</b> £000	<b>2012</b> £000
Balance at 1 January	10,251	6,193
Profit and loss account movement for the year (Note 8a)	(356)	(72)
(Charged) / credited to the STRGL	(1,317)	4,130
Balance at 31 December	8,578	10,251
<b>Deferred tax comprises:</b>		
Accelerated capital allowances	(889)	(693)
Other timing differences	259	413
<b>Deferred tax excluding that relating to pensions</b>	<b>(630)</b>	<b>(280)</b>
Pension deficits	9,208	10,531
<b>Total deferred tax</b>	<b>8,578</b>	<b>10,251</b>

Of the total deferred tax asset of £8,578,000 (2012 £10,251,000), £9,208,000 (2012 £10,531,000) is included within the net pension liabilities on the balance sheet.

The total deferred tax movement in the year includes a charge of £1,287,000 (2012 £512,000) as a result of the change in the rate at which deferred tax is recognised from 23% to 20% (2012 25% to 23%). This figure is made up of £6,000 (2012 £4,000) for amounts previously credited to the profit and loss account and £1,281,000 (2012 £508,000) for amounts previously credited to the STRGL.

#### 15. Current Assets – Debtors

	Consolidated		PLA	
	2013 £000	2012 £000	2013 £000	2012 £000
<b>Amounts due within one year:-</b>				
Trade debtors	8,862	5,707	8,811	5,654
Amounts owed by Port of London Properties Ltd	0	0	5	6
Corporation tax debtor	50	438	65	440
Other debtors	634	578	634	578
Prepayments and accrued income	931	1,094	931	1,094
	10,477	7,817	10,446	7,772
<b>Amounts due after one year:-</b>				
Trade debtors	13,026	13,096	146	216
	23,503	20,913	10,592	7,988

## Notes to the Accounts

### for the year ended 31 December 2013

#### 16. Current Liabilities – Creditors

	Consolidated		PLA	
	2013 £000	2012 £000	2013 £000	2012 £000
<b>Amounts falling due within one year:-</b>				
Bank overdraft	448	704	448	704
Trade creditors	236	235	236	235
Amounts owed to joint venture company	152	180	152	180
Other taxation and social security	934	913	934	913
Other creditors	1,177	709	1,177	709
Accruals and deferred income	16,285	3,137	16,263	3,076
	19,232	5,878	19,210	5,817

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

Consolidated and PLA	2013 £000	2012 £000
<b>Amounts falling due after more than one year:-</b>		
<b>Deferred Income</b>		
Repayable in years 2 - 5	400	400
Repayable after 5 years	1,548	1,648
	1,948	2,048

#### 18. Provisions for Liabilities and Charges

	2013			2012		
	Deferred Tax £000	Other £000	Total £000	Deferred Tax £000	Other £000	Total £000
<b>Consolidated and PLA</b>						
At 1 January	280	13,960	14,240	212	17,227	17,439
Utilised during the year	0	(581)	(581)	0	(403)	(403)
Increase in provision due to unwinding of discount at 1.6% (2012 4%)	0	220	220	0	689	689
Arising / (released) during the year	350	(469)	(119)	68	(3,553)	(3,485)
At 31 December	630	13,130	13,760	280	13,960	14,240
Payable within 1 year	630	1,959	2,589	280	1,494	1,774
Payable in years 2 - 5	0	3,079	3,079	0	3,797	3,797
Payable after 5 years	0	8,092	8,092	0	8,669	8,669
	630	13,130	13,760	280	13,960	14,240

## Notes to the Accounts

### for the year ended 31 December 2013

#### 19. Contingent Liabilities

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.

There were no other contingent liabilities at 31 December 2013 (2012 £nil).

#### 20. Profit and Loss Reserve

	Consolidated		PLA	
	2013 £000	2012 £000	2013 £000	2012 £000
At 1 January	(17,762)	13,658	(35,406)	(4,603)
Profit for year	6,096	5,803	6,891	6,103
Actuarial gain / (loss) on pension schemes	11,386	(27,906)	11,386	(27,906)
Share of actuarial gain / (loss) on Pilot's National Pension Fund	527	(13,801)	527	(13,801)
Current UK corporation tax on defined benefit pension schemes	411	671	411	671
Movement in deferred tax relating to pension schemes	(1,317)	4,130	(1,317)	4,130
Share of actuarial gain / (loss) on joint venture defined benefit pension scheme (net of tax)	45	(317)	0	0
At 31 December	(614)	(17,762)	(17,508)	(35,406)

#### 21. Net Cash Inflow from Operating Activities

	2013 £000	2012 £000
Group operating profit	7,296	6,484
Less share of operating profit of joint venture	(125)	(362)
Group operating profit excluding joint venture	7,171	6,122
Depreciation and impairment of tangible fixed assets	2,436	2,407
Amortisation of intangible fixed assets	6	7
Profit on disposal of fixed assets	(273)	(7)
Increase in stocks	(26)	(10)
(Increase) / decrease in debtors	(3,660)	10
Increase in creditors	1,033	177
Decrease in provisions for liabilities and charges	(1,050)	(3,956)
Difference between pension charge and cash contributions	(2,216)	(2,804)
<b>Cash inflow from operating activities</b>	<b>3,421</b>	<b>1,946</b>

## Notes to the Accounts

### for the year ended 31 December 2013

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

	2013 £000	2012 £000
Increase in cash	7,000	1,783
Cash inflow from net decrease in liquid resources	(7,000)	(4,000)
Change in net funds resulting from cash flows	0	(2,217)
Net funds at 1 January	36,468	38,685
<b>Net funds at 31 December</b>	<b>36,468</b>	<b>36,468</b>

#### 23. Analysis of Change in Net Funds

	At 1 January 2013 £000	Cash flows £000	At 31 December 2013 £000
Cash and bank balances	6,172	6,744	12,916
Overdrafts	(704)	256	(448)
Cash and bank balances including overdrafts	5,468	7,000	12,468
Current asset investments – liquid resources	31,000	(7,000)	24,000
<b>Net funds</b>	<b>36,468</b>	<b>0</b>	<b>36,468</b>

#### 24. 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.

#### 25a. 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. From 1 January 2014 all other members will transfer to the CARE section. It is administered by a Committee of Management which, as at 25 March 2014, comprised:-

**Chairman:** W D Everard

##### Port Authority Committee Persons:-

R L Everitt  
B Chapman  
R S Steedman  
R D M Lenthall  
J F Mills

##### Members' Committee Persons:-

P Durkin  
L Steggle  
C McQueen (resigned 31.12.13)  
R G Brodie  
P F Gold  
A L M Jeffrey (appointed 01.01.14)

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 2013

#### 25a. 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 2012. 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 3.5% per annum and the pre-retirement rate of return on investments would be 6.75% per annum (in the context of assumed RPI price inflation of 3% per annum), that the rate of growth in payroll costs would be 3.5% per annum and that the majority of present and future pensions would increase at the rate of 3.5% per annum.

At the date of the latest actuarial valuation the market value of the assets of the PLAPF was £263.6 million which represented 73% 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 33.05% of pensionable salaries for Final Salary members, 13.2% of pensionable salaries for higher rate CARE members and 9.9% of pensionable salaries for lower rate CARE members for the period to December 2013 and then 13.4% of pensionable salaries for higher rate CARE members and 10.05% of pensionable salaries for lower rate CARE members from 1 January 2014. In addition, it was agreed that the employer would make a payment of £0.3 million by 30 June 2014 and payments of £4 million per annum payable monthly from 1 July 2014 until 30 June 2033.

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 2013
Port of London Authority Retirement Benefits Scheme (PLARBS)	31 March 2013

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 and to future accrual on 5 April 2012. The latest formal actuarial valuation was performed as at 6 April 2012. 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 2013. The principal actuarial assumptions at the balance sheet date were as follows:-

	Consolidated and PLA – All Schemes		
	2013	2012	2011
Discount rate	4.40%	4.00%	4.60%
Expected return on scheme assets at the end of the year	3.9%-5.5%	3.3%-5.2%	3.4%-5.5%
Rate of increase in salaries	3.90%	3.20%	3.40%
RPI Price inflation	3.40%	2.70%	2.90%
Pension increases (RPI, min 3%, max 5%)	3.70%	3.50%	3.50%
Post-retirement mortality	#2	#2	#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

## Notes to the Accounts

### for the year ended 31 December 2013

#### 25a. PLA Pensions – continued

Plan Assets – PLAPF	2013			2012			2011		
	£ m	%	EROA	£ m	%	EROA	£ m	%	EROA
Equities	59.1	21%	7.25%	50.4	18%	7.75%	45.6	18%	7.75%
Hedge Funds	61.2	22%	7.25%	54.8	20%	7.75%	51.0	20%	7.75%
Fixed interest gilts	0.0	0%	3.60%	0.0	0%	2.70%	1.2	0%	2.80%
Index linked gilts	35.2	12%	3.50%	36.2	13%	2.70%	34.2	13%	2.80%
Corporate bonds (including overseas)	124.9	44%	4.40%	129.0	47%	4.00%	122.8	48%	4.60%
Cash and other assets	1.6	1%	0.50%	4.8	2%	0.50%	2.7	1%	0.50%
Total plan assets	282.0	100%	5.50%	275.2	100%	5.20%	257.5	100%	5.50%
Expected rate of return on plan assets			5.50%			5.20%			5.50%

Plan Assets – PLAWWOPF	2013			2012			2011		
	£ m	%	EROA	£ m	%	EROA	£ m	%	EROA
Equities	0.0	0%	7.25%	0.0	0%	7.75%	1.9	8%	7.75%
Fixed interest gilts	0.0	0%	3.60%	0.0	0%	2.70%	5.8	23%	2.80%
Index linked gilts	5.5	22%	3.50%	5.6	22%	2.70%	0.2	1%	2.80%
Corporate bonds (including overseas)	4.9	19%	4.40%	4.9	19%	4.00%	3.7	15%	4.60%
Diversified Growth Fund	5.4	22%	7.25%	5.2	20%	7.75%	3.0	12%	7.75%
Insurance Policies	9.5	37%	4.40%	10.2	39%	4.00%	9.8	39%	4.60%
Cash and other assets	0.0	0%	0.50%	0.0	0%	0.50%	0.4	2%	0.50%
Total plan assets	25.3	100%	4.80%	25.9	100%	4.50%	24.8	100%	4.70%
Expected rate of return on plan assets			4.80%			4.50%			4.70%

Plan Assets – PLARBS	2013			2012			2011		
	£ m	%	EROA	£ m	%	EROA	£ m	%	EROA
Equities	0.0	0%	7.25%	0.0	0%	7.75%	0.0	0%	7.75%
Fixed interest gilts	1.6	60%	3.60%	1.6	54%	2.70%	1.6	53%	2.80%
Index linked gilts	0.1	1%	3.50%	0.1	2%	2.70%	0.1	3%	2.80%
Corporate bonds (including overseas)	1.0	39%	4.40%	1.1	38%	4.00%	1.1	37%	4.60%
Cash and other assets	0.0	0%	0.50%	0.2	6%	0.50%	0.2	7%	0.50%
Total plan assets	2.7	100%	3.90%	3.0	100%	3.30%	3.0	100%	3.40%
Expected rate of return on plan assets			3.90%			3.30%			3.40%

## Notes to the Accounts

### for the year ended 31 December 2013

#### 25a. PLA Pensions – continued

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	2013 £000	2012 £000
PLAPF	19,554	29,810
PLAWWOPF	594	2,230
PLARBS	(80)	245
	20,068	32,285

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
<b>At 31 December 2013</b>				
Fair value of scheme assets	282,007	25,282	2,662	309,951
Actuarial value of scheme liabilities *	(346,181)	(21,577)	(4,135)	(371,893)
(Deficit) / surplus in the schemes	(64,174)	3,705	(1,473)	(61,942)
Irrecoverable surplus	0	(3,705)	0	(3,705)
Pension liability recognised in balance sheet before allowance for deferred tax	(64,174)	0	(1,473)	(65,647)
Related deferred tax	8,913	0	295	9,208
Net pension liability	(55,261)	0	(1,178)	(56,439)
<b>At 31 December 2012</b>				
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)

\* 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:

	2013 £000	2012 £000
PLAPF	1,673	1,805
PLAWWOPF (unrecognised due to irrecoverable surplus on scheme)	477	514
PLARBS	139	150
	2,289	2,469

## Notes to the Accounts

### for the year ended 31 December 2013

#### 25a. PLA Pensions – continued

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

	All Schemes	
	2013 £000	2012 £000
<b>Year ended December:</b>		
Opening defined benefit liability	379,624	334,854
Admin reserve balances	(180)	235
Service cost	5,062	4,538
Interest cost	14,769	14,921
Employee contributions	973	989
Actuarial (gains) / losses on scheme liabilities	(6,292)	46,296
Benefits paid	(22,063)	(22,209)
Closing defined benefit liability	371,893	379,624

#### Analysis of the defined benefit obligation

	All Schemes	
	2013 £000	2012 £000
<b>Year ended December:</b>		
Present value of unfunded liabilities	0	0
Present value of funded liabilities	371,893	379,624

#### Reconciliation of fair value of plan assets

	All Schemes	
	2013 £000	2012 £000
<b>Year ended December:</b>		
Opening fair value of scheme assets	304,049	285,407
Expected return on scheme assets	15,216	15,004
Actuarial gains on scheme assets	4,852	17,281
Contributions by the company	6,924	7,577
Contributions by employees	973	989
Benefits paid	(22,063)	(22,209)
Closing fair value of scheme assets	309,951	304,049

#### Estimate of the Profit & Loss Figures before tax for the year ending 31 December 2014

	PLAPF £000	PLAWWOPF £000	PLARBS £000	Total £000
Service Cost*	2,408	70	0	2,478
Interest Cost	14,774	821	171	15,766
Expected return on assets	(15,047)	1,184	(99)	(16,330)
Effect of irrecoverable surplus	0	293	0	293
Net profit & loss charge before tax	2,135	0	72	2,207

\* The service cost is net of employee contributions

## Notes to the Accounts

### for the year ended 31 December 2013

#### 25a. PLA Pensions – continued

	PLAPF £000	PLAWWOPF £000	PLARBS £000	Total £000
Employers best estimate of contributions to be paid to the fund in 2014*	4,000	0	215	4,215

\* During 2013 discussions took place to determine the future level of employer contributions following the 31 March 2012 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 £0.3m will be paid to the fund before 30 June 2014 and £4m per annum will be paid to the fund monthly from 1 July 2014 until 30 June 2033 or until the deficit is eliminated. During 2013 the £0.3m due before 30 June 2014 and an additional £1m (2012 £2.5m) over and above the agreed recovery plan was paid to the fund. The above figure of £4.0m includes the additional £2m due in 2014. 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.

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

	All Schemes	
	2013 £000	2012 £000
<b>Year ended December:</b>		
Opening cumulative STRGL	(73,596)	(50,491)
Actuarial gains / (losses) net of deferred tax	10,481	(23,105)
Closing cumulative STRGL	(63,115)	(73,596)

#### History of assets, liabilities and actuarial gains and losses

	All Schemes				
	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
<b>Year ended December:</b>					
Fair value of scheme assets \$	309,951	304,049	285,407	288,417	276,408
Present value of defined scheme liability	(371,893)	(379,624)	(334,854)	(306,161)	(300,354)
Net pension liability #	(61,942)	(75,575)	(49,447)	(17,744)	(23,946)
# Includes irrecoverable surplus on PLAWWOPF.	3,705	3,673	4,635	5,361	4,161
\$ Scheme assets shown at bid value at all dates.					

	All Schemes				
	2013	2012	2011	2010	2009
<b>Year ended December:</b>					
<b>Experience gain / (loss) on scheme liabilities and changes in assumptions</b>					
Amount (£000)	6,292	(46,296)	(28,833)	(6,370)	(35,431)
Percentage of the present value of the scheme liabilities	2%	(12%)	(9%)	(2%)	(12%)
<b>Difference between the expected and actual return on scheme assets</b>					
Amount (£000)	4,852	17,281	(5,488)	10,193	10,238
Percentage of the present value of the scheme assets	2%	6%	(2%)	4%	4%

## Notes to the Accounts

### for the year ended 31 December 2013

#### 25a. PLA Pensions – continued

Amounts to be recognised in the profit and loss account

	All Schemes				2012 £000
	PLAPF £000	PLAWWOPF £000	PLARBS £000	Total £000	
Movement in administration expense reserve	(132)	(37)	(11)	(180)	235
Current service cost	5,006	56	0	5,062	4,538
Total service cost	4,874	19	(11)	4,882	4,773

#### Analysis of other financial income / (costs)

Interest cost on pension scheme liabilities	(13,755)	(845)	(169)	(14,769)	(14,921)
Expected return on scheme assets	13,983	864*	95	14,942	14,857
Other financial income / (costs) attributable to the PLA	228	19	(74)	173	(64)
Share of other financial income / (costs) in joint venture				4	(7)
Total other financial income / (costs)				177	(71)

\* 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)

	2013 £000	2012 £000
Actual return less expected return on pension scheme assets	5,396	16,191
Actuarial gains / (losses) on scheme liabilities	5,990	(44,097)
Actuarial gain / (loss) recognised in STRGL before adjustment for tax	11,386	(27,906)

#### Movement in schemes' net deficit during the year

	2013 £000	2012 £000
Combined deficit in schemes at beginning of year	(79,248)	(54,082)
<b>Movements in year to 31 December:-</b>		
Service cost	(4,882)	(4,773)
Employer contributions	6,924	7,577
Other finance income / (costs)	173	(64)
Actuarial gain / (loss)	11,386	(27,906)
Combined deficit in schemes at end of year	(65,647)	(79,248)

## Notes to the Accounts

### for the year ended 31 December 2013

#### 25b 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 upon retirement and also on death before or after retirement.

The PNPF is administered by a separate Trustee Company which is legally separate from the PLA. The Trustee Directors are required by law to act in the interests of all relevant beneficiaries and are responsible for the PNPF's investment policy and day-to-day administration.

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 Fund, 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 as described below.

The PLA is responsible for its own share of the total liabilities in the PNPF, together with a proportionate share of the 'orphan' liabilities of the PNPF, i.e. those liabilities that cannot be attributed to another participating company.

The last formal actuarial valuation of the PNPF was completed as at 31 December 2010. The results of these calculations have been updated to 31 December 2013 by a qualified independent actuary.

#### Amounts to be recognised in the balance sheet

<b>At 31 December:</b>	<b>2013</b> £000	<b>2012</b> £000
Fair value of scheme assets	17,490	18,170
Actuarial value of scheme liabilities	(31,575)	(32,510)
Deficit in the scheme	(14,085)	(14,340)
Related deferred tax *	0	0
Net pension liability	(14,085)	(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 present value of the defined benefit liabilities are as follows:

<b>Year ended December:</b>	<b>2013</b> £000	<b>2012</b> £000
Opening defined benefit liability	32,510	0
Actuarial losses due to initial recognition	0	32,510
Interest cost	1,296	0
Actuarial gain on liability due to change in assumptions	(755)	0
Experience loss arising on liability	331	0
Benefits paid	(1,807)	0
Closing defined benefit liability	31,575	32,510

#### Reconciliation of fair value of plan assets

<b>Year ended December:</b>	<b>2013</b> £000	<b>2012</b> £000
Opening fair value of scheme assets	18,170	0
Actuarial gains due to initial recognition	0	18,170
Expected return on scheme assets	850	0
Contributions by the company	174	0
Actuarial gains on scheme assets	103	0
Benefits paid	(1,807)	0
Closing fair value of scheme assets	17,490	18,170

## Notes to the Accounts

### for the year ended 31 December 2013

#### 25b The Pilot's National Pension Fund (PNPF) – Consolidated and PLA – continued

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

##### Amounts to be recognised in the profit or loss

Year ended December:	2013 £000	2012 £000
Interest cost on pension scheme liabilities	(1,296)	0
Expected return on scheme assets	850	0
Total	(446)	0

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

Year ended December:	2013 £000	2012 £000
Opening cumulative STRGL	(13,801)	0
Actuarial gains / (losses) net of deferred tax	527	(13,801)
Closing cumulative STRGL	(13,274)	(13,801)

##### Expected return on assets

The assumed expected rate of return for PNPF assets as at 31 December 2013 is based on the PNPF's current asset allocation and the yields currently available in the appropriate investment markets.

	2013			2012		
	£m	%	EROA	£m	%	EROA
Global Equities *	3.1	17.8%	7.0%	3.8	21.0%	7.5%
Fund of Hedge Funds *	3.0	16.9%	6.0%	2.8	15.4%	6.5%
Diversified Growth Funds *	3.0	17.2%	6.0%	0.0	0.0%	0.0%
Corporate bond returns (based on the current yield available on AA-rated corporate bonds at an appropriate duration) *	6.8	38.7%	4.1%	10.6	58.3%	3.9%
Gilts (based on the current yield available on gilts at an appropriate duration) *	1.5	8.9%	3.4%	0.0	0.0%	0.0%
Cash returns (based on the current LIBOR rate) *	0.1	0.5%	0.7%	1.0	5.3%	0.7%
	17.5	100.0%	5.2%	18.2	100.0%	4.9%
Expected rate of return on plan assets *			5.2%			4.9%

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

##### Actual return on assets

Year ended December:	2013 £000	2012 £000
Actual return	953	0

## Notes to the Accounts

### for the year ended 31 December 2013

#### 25b The Pilot's National Pension Fund (PNPF) – Consolidated and PLA – continued

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

<b>Year ended December:</b>	<b>2013</b>	<b>2012</b>
	%	%
Discount rate	4.3%	4.1%
Expected return on scheme assets at the end of the year	5.2%	4.9%
Rate of increase in salaries	3.9%	3.5%
Rate of increase to pensions in deferment	2.5%	2.3%
RPI inflation	3.4%	3.0%
CPI inflation	2.5%	2.3%
Pension increases: maximum 5% pa, minimum 0% pa	3.2%	2.9%
Pension increases: maximum 5% pa, minimum 3% pa	3.7%	3.5%
Mortality – base table	95% of S1NxA Standard Tables	95% of S1NxA Standard Tables
Mortality – future improvements	CMI_2013 core projections 1.25% pa long-term improvement	CMI_2013 core projections 1.25% pa long-term improvement

#### History of assets, liabilities and actuarial gains and losses

<b>Year ended December:</b>	<b>2013</b>	<b>2012</b>
	£000	£000
Fair value of scheme assets	17,490	18,170
Present value of defined scheme liability	(31,575)	(32,510)
Net pension liability	(14,085)	(14,340)

#### Experience loss on scheme liabilities

Amount (£000)	(331)	0
Percentage of the present value of the scheme liabilities	(1.0)%	0%

#### Difference between the expected and actual return on scheme assets

Amount (£000)	103	0
Percentage of the present value of the scheme liabilities	0.6%	0%

#### Company contributions

The PLA's best estimate of contributions to be paid to the scheme in 2014 is £724,000.

## 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:-

- o select suitable accounting policies and then apply them consistently;
- o make judgements and estimates that are reasonable and prudent;
- o state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- o 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 2013

We have audited the financial statements of the Port of London Authority for the year ended 31 December 2013 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 25. 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 36, 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 2013 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:

- o give a true and fair view of the state of the group's and PLA's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- o have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- o 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**  
**31 March 2014**

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

2013

Copies of the Annual Review and the PLA Annual Report  
& Accounts can be downloaded from our website:  
[www.pla.co.uk](http://www.pla.co.uk)

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