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TRADE AND FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2009

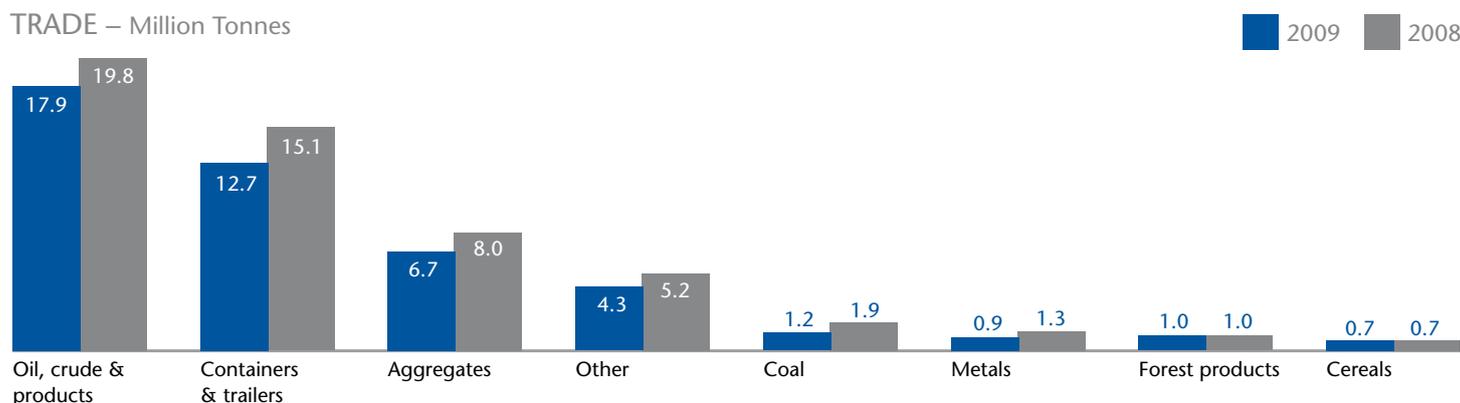
TRADE	2009 million tonnes	2008 million tonnes
Imports	38.5	43.9
Exports	6.9	9.1
Total	45.4	53.0

UNITISED TRAFFIC – (INCLUDED IN ABOVE TONNEAGES)	2009 thousand TEUs	2008 thousand TEUs
Imports	850	1,020
Exports	822	987
Total	1,672	2,007

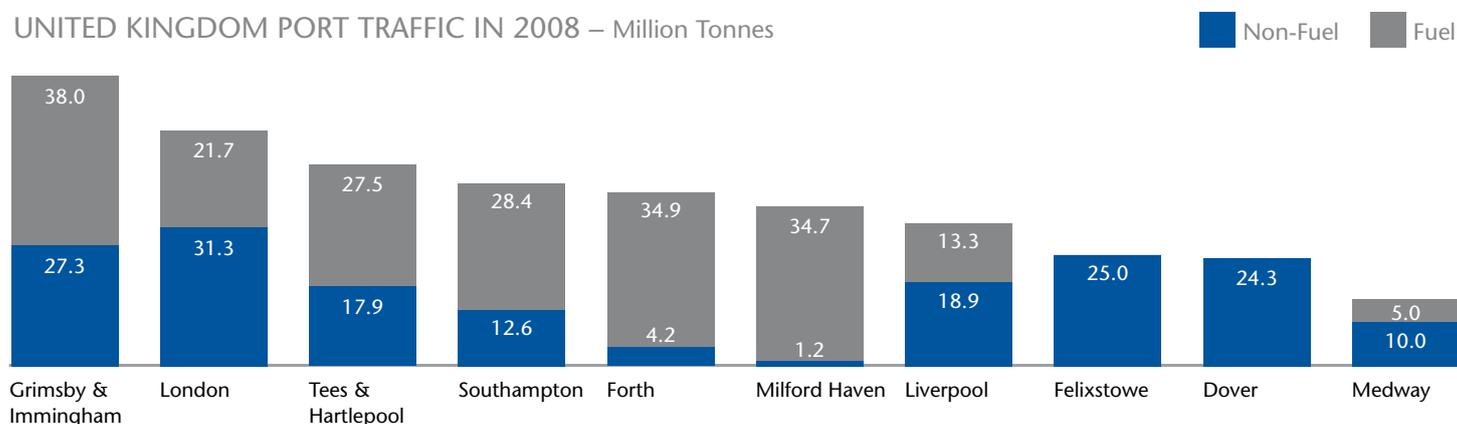
Number of chargeable vessel arrivals to the Port of London	9,237	10,814
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FINANCIAL HIGHLIGHTS	2009 £m	2008 £m
Turnover	43.6	45.6
Operating profit	1.8	2.2
Net cash inflow from operating activities	3.5	3.0

TRADE – Million Tonnes



UNITED KINGDOM PORT TRAFFIC IN 2008 – Million Tonnes



Source: Department for Transport

The members of the Board and the membership of the committees (as at 7 April 2010) are listed below.

Chairman

H A Alexander, CBE

Vice Chairman

J F Mills, CBE

Non-executive members

P K Sarwal
P J Matthews, OBE
W D Everard, CBE
R D M Lenthall
R S Steedman

Executive members

R L Everitt (Chief Executive)
B Chapman (Chief Financial Officer)
Rear Admiral D G Snelson, CB, FNI
(Chief Harbour Master)

Secretary to the Board

R D Crighton, AMNI, MCMI, Barrister

COMMITTEES OF THE BOARD

Audit Committee

P K Sarwal, Chairman
J F Mills
W D Everard

Licensing Committee

P J Matthews, Chairman
R S Steedman
R L Everitt
R D M Lenthall
D G Snelson

Remuneration Committee

H A Alexander, Chairman
J F Mills
W D Everard

Charitable Donations Committee

J F Mills, Chairman
R L Everitt
R D M Lenthall

Pensions Committee

W D Everard, Chairman
R D M Lenthall
R S Steedman
P J Matthews
R L Everitt
B Chapman

Nominations Committee

H A Alexander, Chairman
J F Mills
P K Sarwal

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

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

MANAGEMENT EXECUTIVE COMMITTEE

(as at 7 April 2010)

Chief Executive

R L Everitt

Chief Financial Officer

B Chapman

Chief Harbour Master

D G Snelson

Secretary and General Counsel

R D Crighton

Director of Corporate Affairs

A F Gale

Director of Human Resources

G W Witham

Director of Marine Operations

P Steen

H A ALEXANDER, CBE

Helen Alexander was appointed as a non-executive Member of the PLA Board in June 2009, and Chairman in January 2010.

She is president of the CBI, Chair of Incisive Media and a non-executive director of Rolls-Royce plc and Centrica plc. Formerly chief executive of the Economist Group, she has also been a non-executive director of BT and Northern Foods.

She is also involved in charities in education, the arts and the internet.

J F MILLS, CBE

John Mills was appointed as a non executive member of the Board in September 2008. A former civil servant, Mr Mills has very considerable experience of the public sector from a variety of senior positions in both central and local government. He spent several years as a member of the Prime Minister's Policy Unit, and his other roles have included Director of Consumer Affairs at the Office of Fair Trading, Chief Executive of Cornwall County Council, and Director of Rural Policy at the Department of the Environment, Food and Rural Affairs.

John is a non-executive board member of the Commission for Rural Communities and of the Jersey Financial Services Commission. He also undertakes a number of voluntary roles including as Chairman of the Governing Body of Highgate School, London, and as an Income Tax Commissioner of Appeal in Jersey.

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, Chairman of the United Kingdom Major Ports Group and a non-executive Director of Air Partner plc.

REAR ADMIRAL D G SNELSON, CB, FNI

David Snelson was appointed to the post of Chief Harbour Master in December 2006 after a seagoing career in the Royal Navy, during which he commanded HMS Ark Royal. As the PLA Chief Harbour Master he has responsibility for operational and navigational matters including pilotage, vessel traffic management, hydrography, harbour services and port security. He is a Fellow of the Nautical Institute and a Younger Brother of Trinity House. He was appointed a Companion of the Bath in 2003 and is a holder of the United States Legion of Merit. He retains an interest in Defence matters as an adviser to the House of Commons Defence Committee.

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, insurance and property. He is a director of Estuary Services Ltd, Port of London Properties Limited, Company Secretary of Thames 21 and an alternate director of UK Major Ports Group (UKMPG) and a trustee of a number of pension funds.

R D CRIGHTON

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

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

P K SARWAL

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

Mr Sarwal first qualified as a chartered accountant in 1976, at the start of a successful career in corporate finance. His experience includes advising both private and public sector clients in sectors as diverse as energy, water, ports, airports, public transport, road, rail and defence. He has worked with both UK companies and businesses based in the USA and Europe.

Until 2002, he was a partner in the Specialised Finance Group of Deloitte. He is a member of the Ports Advisory Group of the Trade and Investment Division of the Department for Business Innovation and Skills and also a non executive director of British Waterways, Chatham Historic Dockyard, Christie Group plc, Infrastructure India PLC, Shieldtech PLC and Hyde Housing Association. He is chairman of Master Ropemakers Ltd. Mr Sarwal is a Sloan Fellow of the London Business School.

P J MATTHEWS, OBE

Peter Matthews was appointed a non-executive member of the PLA in March 2006. Having started his working life in the pharmaceutical industry he enjoyed a long and successful career in the water and sewage treatment sector, including over twenty five years at Anglian Water retiring as Deputy Managing Director for AW International. In 2000, he was appointed to the Board of the Environment Agency and Chair of its Audit Committee, where his term of office expired in 2006 – the

same year he joined the PLA and in which he was appointed Chairman for the Northern Ireland Authority for Energy Regulation (and then Chair of the NI Authority for Utility Regulation in 2007). In 2009 he was appointed to the Royal Commission on Environmental Pollution

He is a Past President of the European Water Association, Chartered Institution of Water and Environmental Management and Past Chair of the Society for the Environment – all of which he still serves as a governing board member. He served on the Board of Anglia Ruskin University for many years – and remains a Visiting Professor. He is a Ph D, Chartered Chemist, Scientist, Water and Environment Manager and Environmentalist, Liveryman and Court Assistant of the Worshipful Company of Water Conservators and was awarded an OBE in 2007 for services to water and the environment.

W D EVERARD, CBE

William Everard joined the Board as a non executive director 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 also a member of the Council of the RNLI and Warden of the Worshipful Company of Shipwrights.

R D M LENTHALL

Rodney Lenthall 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 and his current directorships include The Shipowners P&I Association (Luxembourg) and the oil and gas logistics company, ASCO Logistics.

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 a governor of the London Nautical School.

R S STEEDMAN

Dr Scott Steedman is a civil engineer with a background in consulting, contracting and academia. His most recent appointment has been as director of engineering operations for Foster Wheeler Energy Ltd. Throughout his career he has worked on major infrastructure projects including ports and flood protection schemes. Based in London, he has been a vice president of the Royal Academy of Engineering and also a vice president of the Institution of Civil Engineers, where he continues to support initiatives to raise the profile of the engineering profession and provide advice to government. He is Editor-in-Chief of the Royal Academy's flagship magazine, Ingenia.

THE PORT OF LONDON AUTHORITY (PLA) SERVES THE MANY USERS OF THE RIVER THAMES FROM INTERNATIONAL COMPANIES MOVING CARGO THROUGH THE UK'S SECOND BIGGEST PORT TO ROWERS AROUND PUTNEY, AND COMMUTERS AND TOURISTS IN ONE OF THE WORLD'S MAJOR CITIES.

All along 95 miles of river we are working alongside people, companies, groups and clubs as partners with a shared purpose of increasing the safe use of the tidal Thames. With 100 years' expertise on the Thames we are well placed to help bring innovative new schemes to life. Our principal job is to ensure a safe environment for the growing use of the river.

I was proud to join the PLA Board as a non-executive director in June 2009 and take over as Chairman on 1 January 2010. My commitment is to support the organisation in furthering our established reputation for safety and partnership working and strengthening our commitment to creating the conditions for use of the river to flourish.

FINANCIAL REVIEW

The PLA was not immune to the effects of the worst recession for some 30 years. During 2009 trade declined by 14.2% to 45.4 million tonnes from 53.0 million tonnes in 2008. There were knock-on effects on both ship numbers (down 14.6% to 9,237 from 10,814 in the previous year) and on acts of Pilotage which fell 16.2% to 10,501 from 12,538 in 2008.

This reduction in activity fed through into a £2.0 million or 4.4% revenue reduction over the prior year. Such a fall in revenue is unwelcome in any organisation but in an undertaking such as the PLA, with a very high level of fixed costs, it is particularly difficult to deal with. Nevertheless management and staff worked hard to reduce and contain costs and I am pleased to report that the organisation managed to report an operating profit of £1.8 million, which was just £0.4 million lower than 2008.

Maintaining profitability and keeping a watchful eye on working capital allowed the PLA to maintain investment in infrastructure. During the year the PLA invested £2.7 million in upgrading and improving its assets.

In common with many other organisations the main defined benefit pension fund operated by the PLA has fallen into significant deficit. In accounting terms using the methodology set out in the standard FRS17 there was a deficit of £28.1 million before deferred tax at the 2009 year end. The PLA has agreed in principle with the Trustees on a recovery plan for the fund. The PLA is also involved in litigation linked to the Pilots National Pension Fund.

PORT DEVELOPMENT

Last year the majority of operators on the river battered down and weathered the economic storm. Nevertheless, there were positive developments, notably the opening of the new £49 million Cemex cement grinding plant at Tilbury and Tilbury Container Services ordering new cranes.

Throughout last year the principal development project in the port, the London Gateway container terminal project on the Essex side of the river, remained on hold. However, in January this year it was announced that development of the essential infrastructure for the new port would be proceeding in order that DP World has the flexibility to develop the project 'in line with market demand'. Dredging started in March 2010. This is very good news for the port and we will be providing a number of services for DP World as they bring the development forward.

The estuary continued to be a focus for developments during the year. The development of the large London Array windfarm is progressing and due to start construction in early 2011. We are working to ensure safety of navigation while it is built and once it is fully operational.

Discussions about prospects for an estuary airport also continued. We have offered to share our expertise on the estuary with the Thames Estuary Airport Steering Group. Our goal is to ensure that any development is appropriately planned, bearing in mind the many existing uses and environmental designations of what is a dynamic estuary environment.

THE RIVER IN LONDON

The prospects for use of the river through central London are exciting. Expansion of passenger operations are being addressed in a co-ordinated way and freight movements on the river are set to grow rapidly. We have been working closely with City Hall as part of the River Concordat, a working group including the Mayor's transport advisor, ourselves, London River Services (owners of most of the major piers) and passenger boat operators. Prospects for continued growth are strong, with commitment to the much needed expansion of Tower Pier and the addition of 'Oyster' ticketing on the main commuter route. This development of passenger operations should see the Thames playing an increasing role in people's daily lives and ready for a major part in the 2012 Olympic Games.

Prospects for increasing the use of the river for moving goods and materials – with the benefits of reduced carbon emissions and keeping lorries off the capital's roads – are even stronger. Our work with Crossrail shows the potential: over the next five years we will be helping them to move over five million tonnes of earth from tunnelling operations out of the capital for reuse. With further movement of tunnel construction materials likely, this project alone is going to keep over half a million lorries off London's busy roads.

Other projects set to make use of the river include the Thames Tideway Tunnels and Cory's Waste to Energy facility at Belvedere. This growth underlines the importance of reactivating safeguarded wharves such as Peruvian Wharf in East London.

RECREATION

The river continues to be the crucible for British rowing talent and serve a vibrant recreational community. Events on the river during the year included the University Boat Race, Heads of the River races and the Great River Race. We continue to support this important community on the river.

POLICY

The year saw further government policy and guidance affecting ports and harbour authorities. We actively contributed to the development of the Department for Transport's updated Port Marine Safety Code (PMSC), which was published in October. The new edition provides improved guidelines and principles for each port's Safety Management System, which identify risks and steps needed to eliminate or keep them to a minimum.

The Marine and Coastal Act was passed during November. Amongst the changes it brings is the creation of the Marine Management Organisation (MMO), which will take over functions including the approval of Harbour Revision Orders. We look forward to working with the MMO.

ENVIRONMENT

The Thames is an important environmental resource. We are pleased to partner with the RSPB on the management of the many protected sites in the estuary which have international importance for over-wintering birds.

THE BOARD

At the end of 2009 Simon Sherrard retired from the PLA's Board having served for nine years as Chairman. Simon made a substantial contribution to the PLA in that time. He was the catalyst for the transformation of the PLA into a service-oriented organisation, an evolution that continues today. He leaves with our thanks and admiration for his committed service.

Joanna Kennedy also retired from the Board. For most of her nine years with the PLA, Joanna was chair of the licensing committee and latterly became Vice Chairman of the Board. We are very grateful for her contribution to the work of the PLA. Scott Steedman, a widely experienced civil and consulting engineer joined the Board in her place.

OUTLOOK

During 2009 the port experienced a significant downturn in trade, unparalleled in more than 20 years. We have adjusted to the new, lower level of trade. The fundamental attractions of the river as a destination for trade into the South East remain strong and will underpin what we expect to be a long haul back to the level of throughput seen for the previous eight years.

In contrast, prospects for use of the river through London for passengers and freight look very promising indeed. We are looking forward to continuing our work with all river users, creating the conditions for use of the river to grow.

The safe and smooth running of the river is delivered through the hard work of the 350 dedicated people who work for PLA. On behalf of the Board, and the many river users they help every year, thank you.

HELEN ALEXANDER, CHAIRMAN
APRIL 2010

CONSTITUTION, BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Port of London Authority (PLA) is a self-financing corporation constituted under the Port of London Act 1968 (the Act) as subsequently amended by other Acts and Harbour Revision Orders, the latest being in 2005. Under the Act, the Authority is charged with taking such action as is necessary for the improvement and conservancy of the tidal Thames. To discharge this duty the PLA works to facilitate navigational safety through a range of activities including: the operation of a Vessel Traffic Service; undertaking hydrographic surveys; carrying out dredging and providing aids to navigation. The PLA's other responsibilities include the provision of pilotage services, security, managing aspects of the Thames environment and promoting the use of the tidal Thames for trade, leisure and pleasure.

As a self-financing trust port, the PLA aims to cover the cost of its operations from the charges levied for the services it provides, including conservancy, pilotage and fees for river works licences. The results for the PLA for 2009 show a consolidated loss after tax of £1.0m (2008 a loss of £5.0m). A small income is also derived from providing hydrographic and marine services to third parties.

PROVISION OF INFORMATION TO AUDITORS

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

GOVERNANCE

The Board continues to be committed to ensuring that the highest standards of corporate governance are maintained. The chairman is responsible for the operation, leadership and governance of the Board, ensuring that it operates effectively whilst providing appropriate challenge to management. The Board receives detailed financial and operational information to allow it to monitor key areas of the business effectively.

BUSINESS ENVIRONMENT

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

The Port is ideally located, being adjacent to a market of in excess of 23 million people. Although, the terminals and wharves that make up the Port are located principally along the lower reaches of the 95 miles of the tidal Thames, the additional steaming time required to access some of the berths adds to the competitive pressures.

For certain types of trade, in particular deep sea containerised traffic, there is a great need for additional capacity to be built nearer to the mouth of the Estuary, capable of handling larger ships. The decision to proceed with London Gateway Port is therefore very welcome.

STRATEGY

The PLA's aim is:

'to be the leader in the management of port navigation services and the marine environment of the tidal River Thames, promoting its safe and sustainable use for trade, transport, leisure and events'

To achieve that aim, the PLA's priorities are to ensure that it:

- has a highly effective navigational safety management system
- acts as an enlightened steward of the environment, both of the tidal Thames and of the unique habitats along its banks
- develops good and constructive relations with its many customers and stakeholders
- provides top quality services to customers and users of the river
- works to safeguard and ensure the full utilisation of the port's terminals and supporting infrastructure
- properly establishes its role as a unique interface between river users, the local communities and relevant regional, local and city authorities
- has a well motivated, trained workforce
- has good internal and external communications.

PRINCIPAL RISKS AND UNCERTAINTIES

The PLA faces a number of risks resulting from its previous role as dock owner and operator. The PLA is actively pursuing the resolution of these liabilities with a view to transferring them or securing additional finance to cover the potential expense involved.

The PLA, in common with other employers offering a defined benefit pension scheme, also faces financial risk from potential deficits through improved pensioner longevity and uncertainty on the financial markets. Steps are being taken however to control the PLA's exposure to this ever increasing liability.

An additional pension scheme risk arises from the Pilots National Pension Fund (PNPF). Pilotage services were transferred from Trinity House to the relevant ports in 1988. Pilots have been at liberty to join either the PLA's pension scheme or the PNPF since that date and the majority of PLA pilots have opted to join the Authority's fund. There remains however a significant past service deficit in the PNPF. The Trustees of the Fund have adopted an aggressive investment strategy and have also engaged with the employers' association to find an appropriate method of repairing the deficit. Litigation is currently underway to determine certain of the issues arising.

MEMBERS

The Port Authority comprises a Chairman and up to three non-executive members appointed by the Secretary of State for Transport and up to four non-executive members appointed by the Authority. The Authority may also appoint up to four executive members. Mr Simon Sherrard retired as Chairman on 31 December 2009 and was succeeded by Ms Helen Alexander CBE.

There were nine meetings of the PLA Board in 2009 (February, March, April, May, June, July, September, November and December), Members attended as follows:

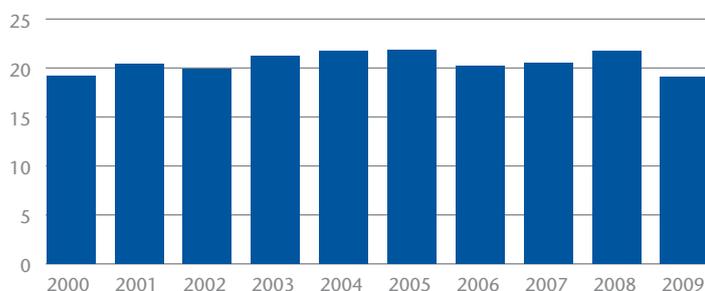
Simon Sherrard (retired from the Board 31/12/09)	9
John Mills	8
Helen Alexander (joined the Board on 01/06/09)	5
Richard Everitt	9
David Snelson	9
Joanna Kennedy (retired from the Board 31/07/09)	6
Brian Chapman	9
Jeremy Beech (retired from the Board 31/03/09)	1
Peter Matthews	9
Pommy Sarwal	9
Scott Steedman (joined the Board on 01/12/09)	1
William Everard	9
Rodney Lenthall	7

ROBERT D CRIGHTON
SECRETARY

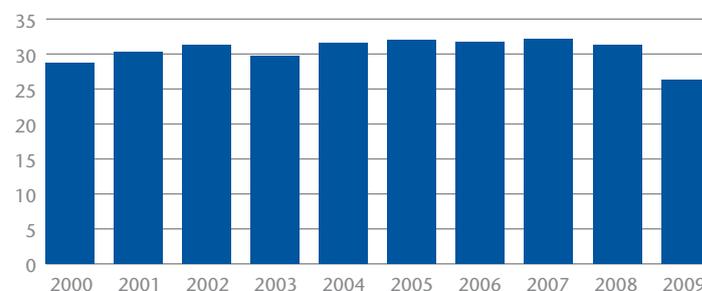
BY ORDER OF THE BOARD

26 APRIL 2010

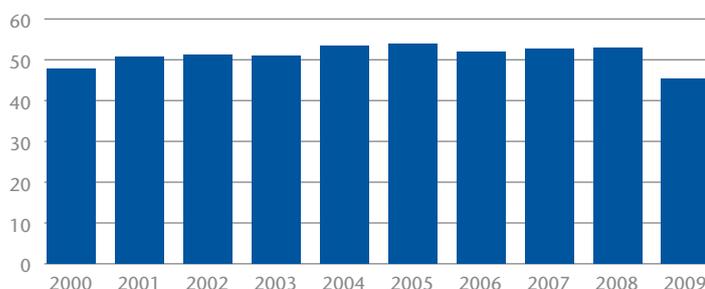
PORT OF LONDON FUEL TRAFFIC
MILLION TONNES



PORT OF LONDON NON-FUEL TRAFFIC
MILLION TONNES

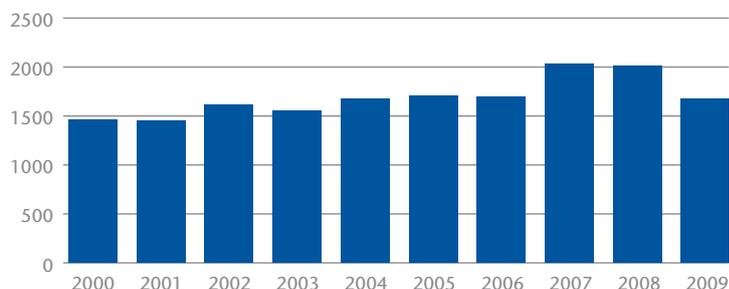


PORT OF LONDON TOTAL TRAFFIC
MILLION TONNES



PORT OF LONDON UNITISED TRAFFIC
THOUSAND TEUS

(teus are included in tonnage figures after conversion from teus)



UNITISED TRAFFIC

(INCLUDED IN THE ABOVE TONNEAGES)

	IMPORTS		EXPORTS		TOTAL	
	2009	2008	2009	2008	2009	2008
	MILLION TONNES		MILLION TONNES		MILLION TONNES	
Oil, crude & products	16.0	17.0	1.9	2.8	17.9	19.8
Containers & trailers	9.4	11.0	3.3	4.1	12.7	15.1
Aggregates	6.7	8.0	0.0	0.0	6.7	8.0
Other cargo	3.4	4.2	0.9	1.0	4.3	5.2
Forest products	1.0	1.0	0.0	0.0	1.0	1.0
Coal	1.2	1.9	0.0	0.0	1.2	1.9
Metals & ores	0.4	0.5	0.5	0.8	0.9	1.3
Cereals	0.4	0.3	0.3	0.4	0.7	0.7
TOTAL	38.5	43.9	6.9	9.1	45.4	53.0

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

	IMPORTS		EXPORTS		TOTAL	
	2009	2008	2009	2008	2009	2008
	000 TWENTY-FOOT EQUIVALENT UNITS					
Ro/Ro terminals (trailers & containers)	413	527	413	518	826	1,045
Container terminals	437	493	409	469	846	962
Unitised Total (TEUs)	850	1,020	822	987	1,672	2,007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 £000	2008 £000
Turnover including share of joint venture		43,594	45,646
Less: share of joint venture		526	615
Turnover excluding share of joint venture	2	43,068	45,031
Operating expenditure	2	41,394	42,973
Operating profit	2, 4	1,674	2,058
Share of operating profit of joint venture		83	141
Operating profit including joint venture		1,757	2,199
Previously unrecognised retained loss accrued for Port of London Properties Ltd during period of non-consolidation	1b	0	(6,689)
Net interest	7	394	1,185
Other financial costs	26	(3,592)	(774)
Loss on ordinary activities before taxation		(1,441)	(4,079)
Taxation	8	461	(953)
Loss for the financial year	20	(980)	(5,032)

All results are in respect of continuing activities.

There is no difference between the loss on ordinary activities before taxation and the retained loss 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 2009

	NOTE	2009 £000	2008 £000
Loss for the financial year		(980)	(5,032)
Actuarial loss on pension schemes	26	(23,564)	(4,434)
Current UK corporation tax on defined benefit pension schemes		0	162
Movement in deferred tax relating to pension schemes	14	2,760	1,079
		(21,784)	(8,225)
Previously unrecognised gains and losses accrued for Port of London Properties Ltd during period of non-consolidation	1b	0	27,175
Share of actuarial loss on joint venture defined benefit pension scheme	11	(433)	(105)
Total recognised (losses)/gains relating to the year		(22,217)	18,845
Prior year adjustment	1c	0	(15,964)
Total recognised (losses)/gains since last annual report		(22,217)	2,881

The PLA also has an unrecognised loss of £1,518,000 for the year ended 31 December 2009 (2008 loss of £4,449,000) in relation to a pension scheme which has an irrecoverable surplus (see note 26).

BALANCE SHEET
AS AT 31 DECEMBER 2009

	NOTE	CONSOLIDATED		PLA	
		2009 £000	2008 £000	2009 £000	2008 £000
FIXED ASSETS					
Intangible assets	9	267	274	267	274
Tangible assets	10	25,880	25,686	25,880	25,686
Investments	11	0	0	2	2
Joint venture:-					
Share of gross assets		940	864	0	0
Share of gross liabilities		(237)	(203)	0	0
Share of pension deficit		(589)	(176)	0	0
	11	114	485	0	0
		26,261	26,445	26,149	25,962
CURRENT ASSETS					
Stocks		155	159	155	159
Debtors – amounts due less than and more than one year	15	19,990	20,631	7,110	7,740
Liquid resources		15,000	16,351	8,758	9,849
Cash and bank balances		18,983	16,416	18,983	16,416
		54,128	53,557	35,006	34,164
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	16	5,886	5,779	5,820	5,644
Net current assets		48,242	47,778	29,186	28,520
Total assets less current liabilities		74,503	74,223	55,335	54,482
Creditors: amounts falling due after more than one year	17	629	643	629	643
Provisions for liabilities and charges	18	17,199	17,666	17,199	17,666
		17,828	18,309	17,828	18,309
Net assets excluding pension deficit		56,675	55,914	37,507	36,173
Pension deficit	26	(24,075)	(1,097)	(24,075)	(1,097)
Net assets including pension deficit		32,600	54,817	13,432	35,076
RESERVES					
Profit and loss account	20	32,600	54,817	13,432	35,076

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 7 April 2010 and were signed on its behalf on 26 April 2010 by:-

H A ALEXANDER
Chairman

R L EVERITT
Chief Executive

B CHAPMAN
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009		2008	
		£000	£000	£000	£000
Net cash inflow from operating activities	21		3,525		2,995
RETURNS ON INVESTMENT AND SERVICING OF FINANCE					
Interest received		401		1,320	
Interest paid		<u>0</u>		<u>(1)</u>	
Net cash inflow from returns on investments and servicing of finance			401		1,319
TAXATION					
U.K. Corporation tax paid		<u>(344)</u>		<u>(230)</u>	
			(344)		(230)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible fixed assets		(2,671)		(3,260)	
Sale of tangible fixed assets		<u>31</u>		<u>32</u>	
Net cash outflow from capital expenditure and financial investment			(2,640)		(3,228)
Cash Inflow from Port of London Properties Ltd at 17 December 2008			<u>0</u>		<u>7,625</u>
Net cash inflow before use of liquid resources and financing			942		8,481
MANAGEMENT OF LIQUID RESOURCES					
Decrease in short term investments			<u>1,351</u>		<u>3,813</u>
Increase in cash in the year	22		2,293		12,294

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.

Port of London Properties Limited was re-consolidated with effect from the 17 December 2008 which is the date on which the Directors of that company approved the payment of a dividend to the PLA for its exclusive use. On this basis, the barrier to the PLA obtaining any economic benefit was removed and full management control within the bounds agreed with the Agreement reached with the Secretary of State for Transport dated 1 January 1993 was re-established. In 2008, retained profits less appropriations during the prior period on non-consolidation were recognised in the profit and loss account, gains and losses recognised in the subsidiary's Statement of Total Recognised Gains and Losses (STRGL) during this prior period were recorded in the consolidated STRGL and reserves were recognised within the reserves note. Gains in the subsidiary's STRGL were the result of revalued investment properties held.

(c) Provisions for liabilities

The PLA continues to receive claims which relate to the time during which it operated docks and was involved in cargo handling. Previously these claims were accounted for as and when they were received but following a change of accounting treatment in 2008 (prior year adjustment) these are now fully provided for in the financial statements at a discounted value. An actuarial estimate as at 31 December 2009 of the duration, number and value of these claims has been made and the discounted value (determined using a discount rate of 4%) included in the financial statements. It is expected that the provision will be utilised over a period of between 40 to 50 years. Refer to note 18.

(d) Turnover

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

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

(e) Intangible fixed assets

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

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

(f) Tangible fixed assets

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(g) Stocks

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

(h) Taxation

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

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

- provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the directors 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 five years. Such amounts are excluded from cash and bank balances on the balance sheet in accordance with the requirements of FRS1 revised.

4. OPERATING PROFIT

	2009 £000	2008 £000
Operating profit is stated after accounting for the following:-		
Auditors' remuneration – audit of the financial statements	64	44
– audit of the group pension schemes	28	25
– local statutory audit for subsidiary company	3	3
– taxation services [#]	14	11
– all other services	2	0
	111	83
Operating lease rentals – land and buildings	424	414
– other	71	89
	495	503
Profit on disposal of fixed assets	(10)	0
Depreciation – owned assets	2,471	2,559
– assets held under finance leases and hire purchase contracts	0	13
	2,471	2,572
Amortisation of intangible fixed assets	7	6

[#] Included in taxation services is £11,000 (2008 £8,000) relating to the PLA.

5. EMPLOYEES

	2009 £000	2008 £000
Staff costs (including Executive Board Members) during the year were:-		
Wages and salaries	17,447	17,016
Social security costs	1,605	1,589
Pensions costs	2,388	3,115
	21,440	21,720
Staff severance	316	56
	21,756	21,776
	2009 NUMBER	2008 NUMBER
The average monthly number of persons (including Executive Board Members) employed during the year was:-	350	353

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 and makes recommendations to the Board in respect of the non-executive members' remuneration.

It also considers proposals regarding senior management remuneration which may be referred to the Committee by the Chairman or the Chairman of the property subsidiary. The Committee may, and on occasion does, seek advice from independent consultants.

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	
	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £
Executive Members:-						
R L Everitt (highest paid Board member)	178,318*	178,318	1,947	2,236	180,265	180,554
B Chapman	108,400*	103,659	1,947	2,236	110,347	105,895
D G Snelson	99,556	94,815	9,233	12,728	108,789	107,543
Non-Executive Members:-						
S P Sherrard (Chairman) (retired 31.12.09)	82,256	79,860	0	0	82,256	79,860
H A Alexander (Chairman) (appointed 01.06.09)	13,594	0	0	0	13,594	0
R S Steedman (appointed 01.12.09)	1,942	0	0	0	1,942	0
R D M Lenthall (appointed 01.01.09)	23,304	0	0	0	23,304	0
J F Mills (appointed 01.09.08)	26,947	7,542	0	0	26,947	7,542
W D Everard (appointed 01.07.08)	25,156	11,313	0	0	25,156	11,313
P K Sarwal	26,451	25,680	0	0	26,451	25,680
P J Matthews	27,748	26,940	0	0	27,748	26,940
J A G Kennedy (retired 31.07.09)	20,530	28,510	0	0	20,530	28,510
J W Beech (retired 31.03.09)	5,826	22,625	0	0	5,826	22,625
P J Mole (retired 31.12.08)	0	22,625	0	0	0	22,625
A A Knight (retired 31.07.08)	0	20,743	0	0	0	20,743
	640,028	622,630	13,127	17,200	653,155	639,830

Pension entitlement

All executive Board members participate in the Authority'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 2009 was £10,125 per annum (2008 £7,674).

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

* Includes car allowance:

	2009	2008
R L Everitt	10,000	10,000
B Chapman	8,844	8,844

7. NET INTEREST

	2009 £000	2008 £000
Interest receivable	389	1,179
SHARE OF JOINT VENTURE INTEREST:-		
Receivable	5	9
Payable	0	(3)
	394	1,185

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2009 £000	2008 £000
a. Analysis of (credit)/charge for the year:-		
Corporation tax at 28% (2008 28.5%)	122	497
Adjustment in respect of prior years	(13)	0
Total corporation tax (Note 8b)	109	497
Deferred tax	(595)	410
Adjustment in respect of prior years	9	0
Total deferred tax (Note 14)	(586)	410
SHARE OF JOINT VENTURE TAX:-		
Corporation tax at 21% (2008 24.2%)	33	61
Deferred tax	(17)	(15)
Total joint venture tax	16	46
Total taxation (credit)/charge to profit and loss account	(461)	953
b. Factors affecting current tax charge for the year:-		
Loss on ordinary activities before taxation	(1,441)	(4,079)
Adjust for previously unrecognised retained loss after tax accrued for Port of London Properties Ltd during period of non-consolidation	0	6,689
Adjusted (loss)/profit on ordinary activities before taxation	(1,441)	2,610
Corporation tax thereon at 28% (2008 28.5%)	(403)	744
EFFECTS OF:		
Share of profit of joint venture	(22)	(47)
Disallowable expenditure	82	118
Accelerated capital allowances	133	136
Utilisation of prior years losses	(297)	(568)
Capital proceeds	(18)	(17)
Pension contribution relief in arrears/(advance) of net pension cost charge	846	(3)
Prior year adjustment	(13)	0
Other timing differences	(199)	134
Corporation tax charge for the year (Note 8a)	109	497

c. Factors that may affect future tax charges

The group has capital losses carried forward of £7,655,000 (2008 £7,699,000) 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 £13,707,000 (2008 £nil) or in relation to other timing differences of £15,629,000 (2008 £16,460,000) 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.

9. FIXED ASSETS – INTANGIBLE ASSETS

Consolidated and PLA	LICENCES £000
COST	
At 1 January 2009	330
Additions	0
At 31 December 2009	330
AMORTISATION	
At 1 January 2009	56
Charge for year	7
At 31 December 2009	63
Net book value at 31 December 2009	267
Net book value at 31 December 2008	274

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

10. FIXED ASSETS – TANGIBLE ASSETS

Consolidated and PLA	LAND AND BUILDINGS £000	DREDGING £000	RIVER STRUCTURES £000	FLOATING CRAFT £000	PLANT AND EQUIPMENT £000	TOTAL £000
COST						
At 1 January 2009	11,709	5,623	10,362	8,305	15,526	51,525
Additions	687	384	60	457	1,098	2,686
Disposals	(2)	0	0	(97)	(315)	(414)
At 31 December 2009	12,394	6,007	10,422	8,665	16,309	53,797
DEPRECIATION						
At 1 January 2009	3,739	2,942	3,849	5,178	10,131	25,839
Charge for year	363	128	417	434	1,129	2,471
Eliminated on disposals	(2)	0	0	(78)	(313)	(393)
At 31 December 2009	4,100	3,070	4,266	5,534	10,947	27,917
Net book value at 31 December 2009	8,294	2,937	6,156	3,131	5,362	25,880
Net book value at 31 December 2008	7,970	2,681	6,513	3,127	5,395	25,686

The net book value of leasehold property held under long leases included in land and buildings above is £60,000 (2008 £60,000).

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

Consolidated	SHARES £000	RETAINED PROFIT £000	TOTAL £000
At 1 January 2009	2	483	485
Share of profit for year	0	62	62
Actuarial loss on defined benefit pension scheme	0	(433)	(433)
At 31 December 2009	2	112	114

PLA	2009 £000	2008 £000
Shares held at 1 January and 31 December	2	2

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

During the year the PLA provided administration and management services to Estuary Services Limited for which it charged £127,000 (2008 £122,000) and was charged £1,721,000 (2008 £1,720,000) for boarding and landing services. At 31 December 2009 the PLA owed £121,000 (2008 £341,000) to Estuary Services Limited for unpaid boarding and landing services received.

12. CAPITAL COMMITMENTS

Consolidated and PLA	2009 £000	2008 £000
Capital expenditure which has been contracted for but which has not been provided for in the accounts	2,229	726

On 4 January 2010, the PLA entered into an agreement with London Gateway Port Limited who plan to develop the site of the Shellhaven oil refinery into a container port. The agreement states that the PLA will contribute up to a maximum of £17m towards dredging, hydrography services and wreck removals if the project goes ahead. The contribution of £9m towards channel dredging which is included in the £17m will not be payable until after the first container berth opens.

13. FINANCIAL COMMITMENTS

Consolidated and PLA	2009			2008		
	LAND AND BUILDINGS £000	OTHER £000	TOTAL £000	LAND AND BUILDINGS £000	OTHER £000	TOTAL £000
Annual commitments under non-cancellable operating leases expiring:-						
Within one year	370	50	420	276	71	347
In the second to fifth year inclusive	3	50	53	75	77	152
Over five years	18	0	18	13	0	13
	391	100	491	364	148	512

14. DEFERRED TAX

	2009 £000	2008 £000
Consolidated and PLA		
Balance at 1 January	741	72
Profit and loss account movement for the year (Note 8a)	586	(410)
Credited to the STRGL	2,760	1,079
Balance at 31 December	4,087	741
DEFERRED TAX COMPRISES:		
Accelerated capital allowances	(540)	(545)
Unrelieved trading losses carried forward	363	681
Other timing differences	232	179
Deferred tax excluding that relating to pensions	55	315
Pension deficit	4,032	426
Total deferred tax	4,087	741

Of the total deferred tax asset of £4,087,000 (2008 £741,000), £4,032,000 has been added (2008 £426,000) in arriving at the net pension liability on the balance sheet.

15. CURRENT ASSETS – DEBTORS

	CONSOLIDATED		PLA	
	2009 £000	2008 £000	2009 £000	2008 £000
AMOUNTS DUE WITHIN ONE YEAR:-				
Trade debtors	5,780	5,820	5,774	5,805
Amounts owed by joint venture company	0	0	0	0
Amounts owed by Port of London Properties Ltd	0	0	6	4
Deferred tax (Note14)	55	315	55	315
Other debtors	527	462	527	462
Prepayments and accrued income	748	1,154	748	1,154
	7,110	7,751	7,110	7,740
AMOUNTS DUE AFTER ONE YEAR:-				
Trade debtors	12,880	12,880	0	0
	19,990	20,631	7,110	7,740

16. CURRENT LIABILITIES – CREDITORS

	CONSOLIDATED		PLA	
	2009 £000	2008 £000	2009 £000	2008 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR:-				
Bank overdraft	274	0	274	0
Trade creditors	570	1,078	570	1,078
Amounts owed to joint venture company	121	341	121	341
Amounts owed to Port of London Properties Ltd	0	0	0	0
Other taxation and social security	745	764	745	764
Corporation tax	37	272	16	153
Other creditors	597	490	597	490
Accruals and deferred income	3,542	2,834	3,497	2,818
	5,886	5,779	5,820	5,644

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

	2009 £000	2008 £000
Consolidated and PLA		
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:-		
Deferred Income		
Repayable in years 2 - 5	56	56
Repayable after 5 years	213	227
Other creditors	360	360
	629	643

18. PROVISIONS FOR LIABILITIES AND CHARGES

	2009 £000	2008 £000
Consolidated and PLA		
At 1 January as previously reported	0	0
Reclassified from current liabilities – creditors	0	1,583
Prior year adjustment (Note 1c)	0	15,964
At 1 January as restated	17,666	17,547
Utilised during the year	(672)	(582)
Increase in provision due to unwinding of discount at 4%	707	701
Arising during the year	(502)	0
At 31 December	17,199	17,666
Payable within 1 year	773	1,206
Payable in years 2 - 5	2,899	2,937
Payable after 5 years	13,527	13,523
	17,199	17,666

19. CONTINGENT LIABILITIES

- (a) The Authority together with its subsidiary Port of London Properties Limited and other parties, is in discussions to agree a basis for transferring to a third party financial and operating responsibility for maintenance of a railway tunnel. Whilst it is impracticable to estimate the financial effect of this contingent liability at the present time, the members believe that the Authority will be able to meet its current commitments in full.
- (b) The Pilots National Pension Fund (PNPF) is an industry-wide defined benefits scheme. As at 31 December 2004, the date of the most recent full triennial valuation carried out by an independent actuary, the scheme had assets with a market value of £339m, representing 76 per cent of the benefits accruing to members after allowing for future increases.

The participating bodies for this scheme agreed a voluntary arrangement under which they could make increased contributions in order to reduce the deficit over the five-year period commencing 1 January 2006. Under this arrangement the Authority would have made additional contributions of £0.9m to this scheme during the 5 year period up to 31 December 2010. During 2008 the trustees of the scheme ceased to collect these additional voluntary contributions from the participating bodies and are now in the process of seeking a court ruling to determine a mechanism for the allocation of the past deficit associated with this scheme. During 2009, the Authority made no contributions to this scheme in relation to current active members.

The current scheme rules do not provide a mechanism for the allocation of past-service deficits. A number of different legal opinions have been issued concerning this scheme and the Authority is unable to determine its share of the past-service deficit on a reasonable basis. The potential pre-tax liability that could arise in relation to the past-service deficit for this scheme could range from £0.5m to £10m as at 31 December 2009.

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

20. PROFIT AND LOSS RESERVE

	CONSOLIDATED		PLA	
	2009 £000	2008 £000	2009 £000	2008 £000
At 1 January as previously reported	0	51,936	0	51,467
Prior year adjustment (Note 1c)	0	(15,964)	0	(15,964)
At 1 January as restated	54,817	35,972	35,076	35,503
Previously unrecognised gains and losses accrued for Port of London Properties Ltd during period of non-consolidation (Note 1b)	0	27,175	0	0
(Loss)/profit for year	(980)	(5,032)	(840)	2,766
Actuarial loss on pension schemes	(23,564)	(4,434)	(23,564)	(4,434)
Current UK corporation tax on defined benefit pension schemes	0	162	0	162
Movement in deferred tax relating to pension schemes	2,760	1,079	2,760	1,079
Share of actuarial loss on joint venture defined benefit pension scheme	(433)	(105)	0	0
At 31 December	32,600	54,817	13,432	35,076

21. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009 £000	2008 £000
Group operating profit	1,757	2,199
Less share of operating profit of joint venture	(83)	(141)
Group operating profit excluding joint venture	1,674	2,058
Depreciation and impairment of tangible fixed assets	2,471	2,572
Amortisation of intangible fixed assets	7	6
Profit on disposal of fixed assets	(10)	0
Decrease in stocks	4	24
Decrease/(increase) in debtors	661	(525)
Decrease in creditors	(253)	(264)
(Decrease)/increase in provisions for liabilities and charges	(467)	496
Difference between pension charge and cash contributions	(562)	(1,372)
Cash inflow from operating activities	3,525	2,995

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

	2009 £000	2008 £000
Increase in cash	2,293	12,294
Cash inflow from net decrease in liquid resources	(1,351)	(3,813)
Change in net funds resulting from cash flows	942	8,481
Net funds at 1 January	32,767	24,286
Net funds at 31 December	33,709	32,767

23. ANALYSIS OF CHANGE IN NET FUNDS

	AT 1 JANUARY 2009 £000	CASH FLOWS £000	OTHER CHANGES £000	AT 31 DECEMBER 2009 £000
Cash and bank balances	16,416	2,567	0	18,983
Overdrafts	0	(274)	0	(274)
Cash and bank balances including overdrafts	16,416	2,293	0	18,709
Current asset investments – short term deposits	16,351	(1,351)	0	15,000
Net funds	32,767	942	0	33,709

24. GOVERNMENT GRANTS

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. 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 and the PLA will cease to have any further liability. In the opinion of the members the Authority will be able to meet this commitment in full.

25. SUBSIDIARY COMPANIES

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

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

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

26. PENSIONS

Consolidated and PLA

The major scheme in which the PLA participates is the Port of London Authority Pension Fund (PLAPF), a funded defined benefits scheme. It is administered by a Committee of Management which, as at 7 April 2010, comprised:-

CHAIRMAN: W D Everard

PORT AUTHORITY COMMITTEE PERSONS:-

R L Everitt
B Chapman
R S Steedman
R D M Lenthall
P J Matthews

MEMBERS' COMMITTEE PERSONS:-

P Durkin
D Lloyd
C McQueen
R G Brodie
R Quay

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

The pension contributions to PLAPF are assessed in accordance with the advice of an independent, qualified actuary using the projected unit method. The latest actuarial assessment was at 31 March 2006. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the post-retirement rate of return on investments would be 4.8% per annum and the pre-retirement rate of return on investments would be 7.0% per annum (in the context of assumed price inflation of 2.9% per annum), that the rate of growth in payroll costs would be 3.4% per annum and that present and future pensions would increase at the rate of 3.3% per annum.

At the date of the latest actuarial valuation the market value of the assets of the PLAPF was £284.6 million which represented just over 99% 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, the employer increased its contribution from 20.3% to 23.25% of pensionable salaries with effect from 1 April 2007.

The Authority 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 2007
Port of London Authority Retirement Benefits Scheme (PLARBS)	31 March 2007

The Authority's joint venture company, Estuary Services Limited, also operates a funded defined benefit scheme, the Estuary Services Limited Pension Scheme (ESLPS) whose latest formal actuarial valuation was performed as at 6 April 2006. The PLA's share of the deficit on this scheme has been incorporated into the financial statements via the gross equity method.

26. PENSIONS – CONTINUED

The Pilots National Pension Fund

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

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 2009. The principal actuarial assumptions at the balance sheet date were as follows:-

	CONSOLIDATED AND PLA ALL SCHEMES		
	2009	2008	2007
Discount rate	5.80%	6.75%	5.90%
Expected return on scheme assets at the end of the year	5.0%-5.8%	5.2%-5.9%	5.5%-5.9%
Rate of increase in salaries	4.00%	3.20%	3.70%
Price inflation	3.50%	2.70%	3.20%
Pension increases (min 3%, max 5%)	3.75%	3.40%	3.60%
Post-retirement mortality	#2	#1	#1

#1: PMA92/PFA92 tables, birth year, with medium cohort improvements and mortality rates at all ages increased by 30%

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

Plan Assets – PLAPF	2009			2008			2007		
	£m	%	EROA	£m	%	EROA	£m	%	EROA
Equities	48.4	19%	7.75%	38.9	16%	8.00%	51.4	19%	7.75%
Fixed interest gilts	45.2	18%	4.50%	122.8	51%	3.80%	119.4	44%	4.50%
Index linked gilts	18.8	8%	4.30%	8.2	3%	3.80%	25.0	9%	4.30%
Corporate bonds	133.1	54%	5.80%	66.2	27%	6.75%	71.6	26%	5.90%
Cash and other assets	3.2	1%	0.50%	6.7	3%	2.00%	4.4	2%	5.50%
Total plan assets	248.7	100%	5.80%	242.8	100%	5.20%	271.8	100%	5.50%

Expected rate of return on plan assets	5.8%	5.2%	5.5%
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Plan Assets – PLAWWOPF	2009			2008			2007		
	£m	%	EROA	£m	%	EROA	£m	%	EROA
Equities	5.2	21%	7.75%	4.2	18%	8.00%	5.6	20%	7.75%
Fixed interest gilts	7.8	32%	4.50%	8.3	35%	3.80%	5.0	17%	4.50%
Index linked gilts	1.7	7%	4.30%	0.0	0%	3.80%	2.1	7%	4.30%
Corporate bonds	9.2	38%	5.80%	10.9	46%	6.75%	15.8	55%	5.90%
Cash and other assets	0.5	2%	0.50%	0.2	1%	2.00%	0.3	1%	5.50%
Total plan assets	24.4	100%	5.60%	23.6	100%	5.90%	28.8	100%	5.90%

Expected rate of return on plan assets	5.6%	5.9%	5.9%
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Plan Assets – PLARBS	2009			2008			2007		
	£m	%	EROA	£m	%	EROA	£m	%	EROA
Equities	0.0	0%	7.75%	0.0	0%	8.00%	0.0	0%	7.75%
Fixed interest gilts	1.1	33%	4.50%	1.5	38%	3.80%	1.0	19%	4.50%
Index linked gilts	0.4	12%	4.30%	0.0	0%	3.80%	0.5	10%	4.30%
Corporate bonds	1.7	52%	5.80%	2.3	59%	6.75%	3.7	71%	5.90%
Cash and other assets	0.1	3%	0.50%	0.1	3%	2.00%	0.0	0%	5.50%
Total plan assets	3.3	100%	5.00%	3.9	100%	5.50%	5.2	100%	5.50%

Expected rate of return on plan assets	5.0%	5.5%	5.5%
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26. 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/(loss) on plan assets	2009 £000	2008 £000
PLAPF	22,082	(14,198)
PLAWWOPF	1,808	(4,231)
PLARBS	116	(726)
	24,006	(19,155)

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

Amounts to be recognised in the balance sheet	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000
AT 31 DECEMBER 2009				
Fair value of scheme assets	248,728	3,330	24,350	276,408
Actuarial value of scheme liabilities*	(274,951)	(5,214)	(20,189)	(300,354)
(Deficit)/surplus in the schemes	(26,223)	(1,884)	4,161	(23,946)
Irrecoverable surplus	0	0	(4,161)	(4,161)
Pension liability recognised in balance sheet before allowance for deferred tax	(26,223)	(1,884)	0	(28,107)
Related deferred tax	4,032	0	0	4,032
Net pension liability	(22,191)	(1,884)	0	(24,075)
AT 31 DECEMBER 2008				
Fair value of scheme assets	242,842	3,869	23,570	270,281
Actuarial value of scheme liabilities*	(243,312)	(4,922)	(17,891)	(266,125)
(Deficit)/surplus in the schemes	(470)	(1,053)	5,679	4,156
Irrecoverable surplus	0	0	(5,679)	(5,679)
Pension liability recognised in balance sheet before allowance for deferred tax	(470)	(1,053)	0	(1,523)
Related deferred tax	132	294	0	426
Net pension liability	(338)	(759)	0	(1,097)

* 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:

	2009 £000	2008 £000
PLAPF	1,357	1,241
PLAWWOPF (unrecognised due to irrecoverable surplus on scheme)	366	335
	1,723	1,576

26. PENSIONS – CONTINUED

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

Year ended December:	ALL SCHEMES	
	2009 £000	2008 £000
Opening defined benefit liability	266,125	293,374
Admin reserve balances	147	(34)
Service cost	2,388	3,115
Interest cost	17,239	16,698
Employee contributions	791	671
Actuarial losses/(gains) on scheme liabilities	35,431	(27,139)
Benefits paid	(21,767)	(21,528)
Past service costs	0	968
Closing defined benefit liability	300,354	266,125

Analysis of the defined benefit obligation

Year ended December:	ALL SCHEMES	
	2009 £000	2008 £000
Present value of unfunded liabilities	0	0
Present value of funded liabilities	300,354	266,125

Reconciliation of fair value of plan assets

Year ended December:	ALL SCHEMES	
	2009 £000	2008 £000
Opening fair value of scheme assets	270,281	305,833
Expected return on scheme assets	13,768	16,441
Actuarial gains/(losses) on scheme assets	10,238	(35,596)
Contributions by the company	3,097	4,460
Contributions by employees	791	671
Benefits paid	(21,767)	(21,528)
Closing fair value of scheme assets	276,408	270,281

Estimate of the Profit & Loss Figures before tax for the year ending 31 December 2010

	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000
Service Cost*	3,351	0	75	3,426
Interest Cost	15,387	281	1,121	16,789
Expected return on assets	(13,938)	(148)	(1,334)	(15,420)
Effect of irrecoverable surplus	0	0	138	138
Net profit & loss charge before tax	4,800	133	0	4,933

* The service cost is net of employee contributions

	£000	£000	£000	£000
Employers best estimate of contributions to be paid to the fund in 2010*	6,300	0	0	6,300

* Discussions have taken place to determine the future level of employer contributions following the 31 March 2009 actuarial valuation. During April 2010 the PLA agreed in principle a recovery plan with the Trustees of the PLAPF whereby in addition to the current rate of employer contributions an additional £1.6m per annum will be paid to the fund effective from the 31 March 2009 actuarial valuation. Therefore deficit contributions of £3.2m will be paid during 2010. From 2011 £1.6m will be paid each year for the remainder of the recovery plan. The above figure of £6.3m includes the additional £3.2m due in 2010. The PLA has also agreed in principle to grant 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.

26. PENSIONS – CONTINUED

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

	ALL SCHEMES	
	2009 £000	2008 £000
Year ended December:		
Opening cumulative STRGL	(1,925)	1,268
Actuarial losses net of deferred tax	(20,804)	(3,193)
Closing cumulative STRGL	(22,729)	(1,925)

History of assets, liabilities and actuarial gains and losses

Year ended December:	ALL SCHEMES				
	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Fair value of scheme assets [§]	276,408	270,281	305,833	313,975	319,800
Present value of defined scheme liability	(300,354)	(266,125)	(293,374)	(313,975)	(313,601)
(Deficit)/surplus [#]	(23,946)	4,156	12,459	0	6,199
# Includes irrecoverable surplus on PLAWWOPF/PLARBS	4,161	5,679	10,128	9,375	7,589

§ Scheme assets shown at bid value at all dates other than 31/12/2005 and 31/12/2006 which are shown at mid market value.

Year ended December:	ALL SCHEMES				
	2009	2008	2007	2006	2005
EXPERIENCE GAIN/(LOSS) ON SCHEME LIABILITIES AND CHANGES IN ASSUMPTIONS					
Amount (£000)	(35,431)	27,139	18,868	(2,532)	(17,600)
Percentage of the present value of the scheme liabilities	(12)%	10%	6%	(1)%	(6)%
DIFFERENCE BETWEEN THE EXPECTED AND ACTUAL RETURN ON SCHEME ASSETS					
Amount (£000)	10,238	(35,596)	(6,470)	(4,124)	23,500
Percentage of the present value of the scheme assets	4%	(13)%	(2)%	(1)%	7%

Amounts to be recognised in the profit and loss account

	YEAR ENDED 31 DECEMBER 2009				2008 £000
	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000	
Movement in administration expense reserve	116	0	31	147	(27)
Current service cost	2,322	0	66	2,388	3,115
Total service cost	2,438	0	97	2,535	3,088

ANALYSIS OF OTHER FINANCIAL INCOME/(COSTS)

Interest on pension scheme liabilities	(15,776)	(310)	(1,153)	(17,239)	(16,698)
Expected return on assets in the pension scheme	12,212	195	1,250*	13,657	15,906
Other financial costs attributable to the PLA	(3,564)	(115)	97	(3,582)	(792)
Share of other financial (costs)/income in joint venture				(10)	18
Total other financial costs				(3,592)	(774)

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

26. PENSIONS – CONTINUED

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

	2009 £000	2008 £000
Actual return less expected return on pension scheme assets	9,791	(29,695)
Actuarial (losses)/gains on scheme liabilities	(33,355)	25,261
Actuarial loss recognised in STRGL before adjustment for tax	(23,564)	(4,434)

Movement in schemes' net (deficit)/surplus during the year

	2009 £000	2008 £000
Combined (deficit)/surplus in schemes at beginning of year	(1,523)	2,331
Movements in year to 31 December:-		
Service cost	(2,535)	(3,088)
Employer contributions	3,097	4,460
Other finance costs	(3,582)	(792)
Actuarial loss	(23,564)	(4,434)
Combined deficit in schemes at end of year	(28,107)	(1,523)

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 Authority and of the profit or loss of the Authority for that period. In preparing those financial statements, the members are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority 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 Authority 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 Authority 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 Authority'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 2009

We have audited the financial statements of the Port of London Authority for the year ended 31 December 2009 which comprise the Consolidated Profit and Loss account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and PLA Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the PLA's members, as a body, in accordance with the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981, and for no other purpose.

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 PLA's members as a body, for our audit work, for this audit report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF MEMBERS OF THE PORT OF LONDON AUTHORITY AND AUDITORS

The members' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of members' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Section 42 of the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981. We also report to you whether in our opinion the information given in the Report of the Board is consistent with the financial statements.

In addition we report to you if, in our opinion, the PLA has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Board members' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members of the PLA in the preparation of the financial statements, and of whether the accounting policies are appropriate to the PLA's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion :

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and PLA's affairs as at 31 December 2009 and of the group's loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Harbours Act 1964, as amended by the Transport Act 1981; and
- the information given in the Report of the Board and the Chairman's statement is consistent with the financial statements.

ERNST & YOUNG LLP
REGISTERED AUDITOR
LONDON

26 APRIL 2010



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

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