

Annual Report & Accounts 2010





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Trade and Financial Highlights

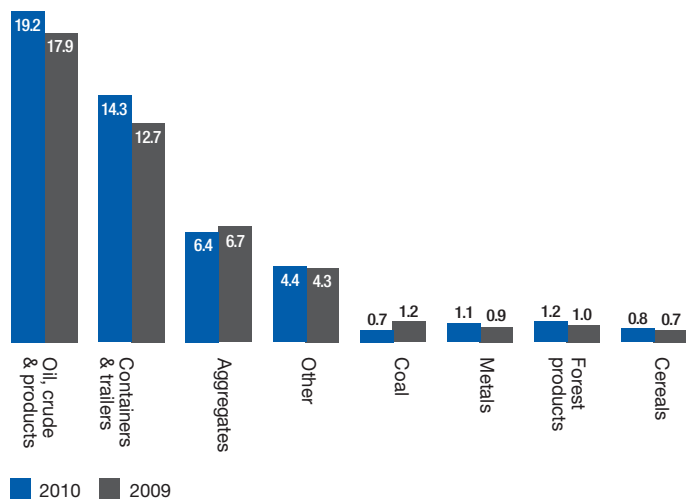
For the year ended 31 December 2010

Trade – million tonnes	2010	2009
Imports	39.8	38.5
Exports	8.3	6.9
Total	48.1	45.4

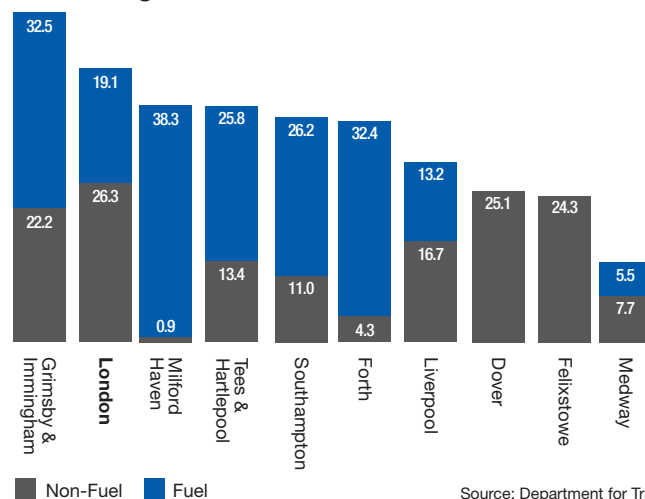
Unitised Traffic Thousand Teus - (included in above tonnages)	2010	2009
Imports	957	850
Exports	940	822
Total	1,897	1,672
Number of chargeable vessel arrivals to the Port of London	9,438	9,237

Financial Highlights £m	2010	2009
Turnover	44.3	43.6
Operating profit	7.0	1.8
Net cash inflow from operating activities	7.8	3.5

Total Port of London Trade Million Tonnes



United Kingdom Port Traffic in 2009 Million Tonnes



Source: Department for Transport

H 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 Mills, CBE

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

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

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 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 Limited, 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 Limited.

P K Sarwal

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

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

Pommy is currently a 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, Hybrid Air Vehicles Limited and Hyde Housing Association. He is chairman of Master Ropemakers Limited and Venners Limited.

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 25 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 he was also 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 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 Limited, 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 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. Limited, chairman of Cory Towage Limited, 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), 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 chairman of governors of the London Nautical School.

S Steedman, CBE

Dr Scott Steedman is a civil engineer with a background in consulting, contracting, research and innovation for major infrastructure and engineering projects. He is currently director of products and services for BRE Global, an independent charitable company setting safety and sustainability standards across the built environment. He has been a vice president of both the Royal Academy of Engineering and the Institution of Civil Engineers, recently contributing to industry-led reports for government on the construction industry and its role in the transition to a low carbon economy. He is editor-in-chief of the Royal Academy's flagship magazine, *Ingenia*.

Committees of the Board

Audit Committee

P K Sarwal, Chairman
J F Mills
W D Everard

Licensing Committee

P J Matthews, Chairman
S Steedman
R L Everitt
R 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 Lenthall

Pensions Committee

W D Everard, Chairman
R Lenthall
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

Management Executive Committee

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

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

We have a vision of a vibrant, safe and sustainable river and estuary. Despite the economic challenges of 2010 for the communities we serve, the river continued to be very widely used for trade, travel, leisure and sport. This is what you would expect from a river on which the success of London was first built and which remains an essential catalyst for economic growth today.

River use

Use of the river held up well through the year, although some activities continued to be affected by the recession. Importantly, there were no major navigational safety incidents on the tidal Thames.

Port trade recovered from a ten-year low of 45 million tonnes in 2009 to 48.1 million tonnes in 2010. The recovery in overall tonnage reflected increases in the volume of oil and number of containers/trailers passing through the port.

Use of the river for moving goods and materials has also remained resilient in spite of the difficult economic conditions. The efforts of the operators, supported by the developments initiated by the Mayor's Rivers Concordat group, continued to sustain the growth in passenger travel on the river. Major sporting events attracting large crowds to the river include the University Boat Race and the Great River Race.

Finances

Our operating profit for 2010 increased by £5.2m over the prior year to £7.0m. This reflected, principally, the increase in conservancy and pilotage income as trade, and thus the number of pilotage acts, increased. To encourage trade, charges for conservancy and pilotage were frozen for the year. Careful management, including a pay freeze, ensured that costs in 2010 were virtually unchanged from 2009.

Pension scheme liabilities dominate our accounts and we achieved an overall surplus, despite paying an additional £4.2m into the PLA Scheme (total contribution £7.2m), towards reducing the last assessed actuarial deficit of £55m. The major financial uncertainty the PLA faces is the quantification of liability under the Pilots' National Pension Fund, which is now the subject of a Court of Appeal hearing which should take place in May 2011.

Our prospects

The long-term prospects for the river are extremely exciting. In the deep-sea port, dredging and land reclamation for the London Gateway container port, on the Essex coast are now well underway. Up-river, preparations are in hand for the London Olympic Games and celebrations of The Queen's Diamond Jubilee in 2012, when the river will be a magnet for people and events.

Use of the river for moving freight and passengers is increasing. The river is integral to the transport plans of both the Crossrail and Thames Water Tideway Tunnel schemes. Operators also have initiatives in hand to develop further passenger services, particularly serving riverside communities to the west of Chelsea.

Our people

The expertise at the core of what we do is embodied in our people. From launch crews to ships' pilots, Vessel Traffic Officers to our civil engineers, they are expert and committed to helping people make the most of the river. I want to thank them formally for their hard work through the year and into the future. They use their marine and river expertise to shape projects that are safe, robust and sustainable, working with companies, individuals and communities, and also local government in London along 95 miles of tidal river. Like me, they believe that it is important to sustain the tidal Thames in its vital role in the economy and for all its communities to play a part in that.

Helen Alexander
Chairman

April 2011

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.

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 2010 show a consolidated operating surplus of £7.0m. An income is also derived from providing hydrographic and marine services to third parties.

Governance

The Board continues to be committed to ensuring that the highest standards of corporate governance are maintained, following where relevant the precepts of the Corporate Governance Combined Code. The non-executive directors are all considered to be independent in character and judgement in accordance with the criteria set out in the Code. The Board is also subject to national legislation, its own Act of Parliament and a variety of other Statutes and Statutory Instruments relating to the operation of ports.

In addition, the Board follows the guidance offered by Modernising Trust Ports (2nd edition) ("MTP2"), both in terms of its constitution and accountability. The suggestion in MTP2 that a full review of corporate structure should be carried out by all trust Ports was followed, and the conclusion that the present structure worked to the advantage of all stakeholders generally was duly reported to the Department for Transport.

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 non-executive directors combine broad business and commercial experience with independent and objective judgement. The balance between non-executive and executive directors enables the Board to provide clear and effective leadership and maintain the highest standards of business integrity. In particular, the roles of the Chairman and Chief Executive are separate and clearly defined.

Upon joining, non executive directors are briefed upon the business of the PLA generally, and thereafter make site visits and receive regular briefings upon key aspects of the PLA's responsibilities, in particular upon their responsibilities as collectively the Duty Holder under the Port Marine Safety Code.

There is a schedule of matters which the Board has specifically reserved to itself for decision, such as strategy, major expenditure and annual budget, and has defined those matters which may be decided by the executive. The Board has delegated authority to five principal committees to carry out certain tasks as described in each committee's Terms of Reference. The Board Committees comprise directors with a variety of relevant skills and experience so that no undue reliance is placed on any one individual. The chair of each committee reports back to the Board on matters discussed at committee meetings to ensure that other Board members are kept apprised of the business considered by each committee.

Directors are supplied with comprehensive papers well in advance of each meeting, and regularly receive detailed financial and operational information to allow them to monitor the key areas of the business effectively.

The Chairman ensures the effective engagement and contribution of all executive and non-executive directors, and in 2010 she conducted a wide-ranging evaluation of the Board's performance.

Auditor

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.

Business Environment

The Port of London benefits from a highly diversified portfolio of trades. Oil (both crude for refining and oil products) remains the largest sector, but the Port also handles significant volumes of unitised traffic, 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. From time to time, Board members meet with and/or visit the principal stakeholders so as to understand and keep abreast of their concerns and objectives.

For certain types of trade, in particular deep sea containerised traffic, there is a great need for additional capacity to be built nearer to the mouth of the Estuary, capable of handling larger ships. The development of London Gateway Port is therefore very welcome, and is being actively facilitated by the PLA.

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's process for identifying and monitoring risk is delegated to the Audit committee but is reviewed annually by the Board. 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 mitigating them.

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 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 a pro-active 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.

There were nine meetings of the PLA Board in 2010. Members attended as follows:

H A Alexander	9
J F Mills	8
R L Everitt	9
D G Snelson	9
B Chapman	9
P J Matthews	7
P K Sarwal	9
W D Everard	9
R Lenthall	8
S Steedman	9

The following sub committees also met during 2010:

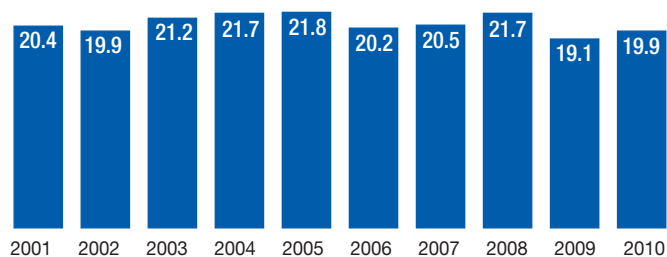
Audit	3
Licensing	2
Pensions	3
Remuneration	1

Robert D Crighton
Secretary
By Order of the Board

April 2011

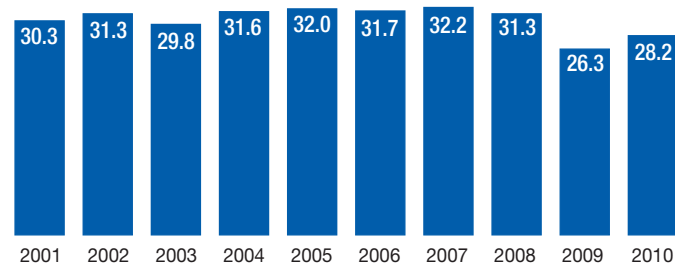
Port of London Fuel Traffic

Million Tonnes



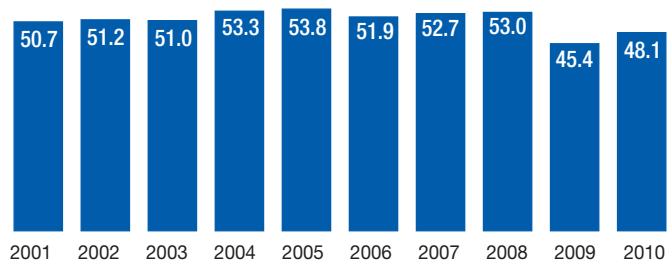
Port of London Non-fuel Traffic

Million Tonnes



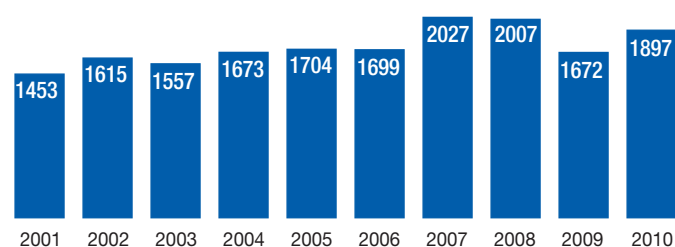
Port of London Total Traffic

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 tonnages)

	Imports		Exports		Total	
	2010	2009	2010	2009	2010	2009
	million tonnes		million tonnes		million tonnes	
Oil, crude & products	17.0	16.0	2.2	1.9	19.2	17.9
Containers & trailers	10.3	9.4	4.0	3.3	14.3	12.7
Aggregates	6.4	6.7	0.0	0.0	6.4	6.7
Other cargo	3.4	3.4	1.0	0.9	4.4	4.3
Forest products	1.2	1.0	0.0	0.0	1.2	1.0
Coal	0.7	1.2	0.0	0.0	0.7	1.2
Metals & ores	0.4	0.4	0.7	0.5	1.1	0.9
Cereals	0.4	0.4	0.4	0.3	0.8	0.7
TOTAL	39.8	38.5	8.3	6.9	48.1	45.4

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

	Imports		Exports		Total	
	2010	2009	2010	2009	2010	2009
	000 twenty-foot equivalent units					
Ro/Ro terminals (trailers & containers)	529	413	498	413	1,027	826
Container terminals	428	437	442	409	870	846
Unitised Total (TEUS)	957	850	940	822	1,897	1,672

Consolidated Profit and Loss Account

For the year ended 31 December 2010

	Note	2010 £000	2009 £000
Turnover including share of joint venture		44,324	43,594
Less: share of joint venture		561	526
Turnover excluding share of joint venture	2	43,763	43,068
Operating expenditure	2	36,934	41,394
Operating profit	2, 4	6,829	1,674
Share of operating profit of joint venture		218	83
Operating profit including joint venture		7,047	1,757
Net interest	7	339	394
Other financial costs	26	(1,398)	(3,592)
Profit/(loss) on ordinary activities before taxation		5,988	(1,441)
Taxation	8	(1,635)	461
Profit/(loss) for the financial year	20	4,353	(980)

All results are in respect of continuing activities.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(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 2010

	Note	2010 £000	2009 £000
Profit/(loss) for the financial year		4,353	(980)
Actuarial gain/(loss) on pension schemes	26	2,758	(23,564)
Movement in deferred tax relating to pension schemes	14	2,812	2,760
		9,923	(21,784)
Share of actuarial gain/(loss) on joint venture defined benefit pension scheme	11	146	(433)
Total recognised gains/(losses) relating to the year		10,069	(22,217)

The PLA also has an unrecognised gain of £1,200,000 for the year ended 31 December 2010 (2009 loss of £1,518,000) in relation to a pension scheme which has an irrecoverable surplus (see note 26).

Balance Sheets

As at 31 December 2010

	Note	Consolidated		PLA	
		2010 £000	2009 £000	2010 £000	2009 £000
Fixed assets					
Intangible assets	9	261	267	261	267
Tangible assets	10	27,228	25,880	27,228	25,880
Investments	11	0	0	2	2
Joint venture:-					
Share of gross assets		1,090	940	0	0
Share of gross liabilities		(243)	(237)	0	0
Share of pension deficit		(418)	(589)	0	0
	11	429	114	0	0
		27,918	26,261	27,491	26,149
Current assets					
Stocks		141	155	141	155
Debtors – amounts due less than and more than one year	15	19,776	19,990	6,849	7,110
Liquid resources		24,891	15,000	19,629	8,758
Cash and bank balances		13,111	18,983	13,111	18,983
		57,919	54,128	39,730	35,006
Current liabilities					
Creditors: amounts falling due within one year	16	6,729	5,886	6,697	5,820
Net current assets		51,190	48,242	33,033	29,186
Total assets less current liabilities		79,108	74,503	60,524	55,335
Creditors: amounts falling due after more than one year	17	2,607	629	2,607	629
Provisions for liabilities and charges	18	16,965	17,199	16,965	17,199
		19,572	17,828	19,572	17,828
Net assets excluding pension deficit		59,536	56,675	40,952	37,507
Pension deficit	26	(16,867)	(24,075)	(16,867)	(24,075)
Net assets including pension deficit		42,669	32,600	24,085	13,432
Reserves					
Profit and loss account	20	42,669	32,600	24,085	13,432

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 13 April 2011 and were signed on its behalf on 15 April 2011 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 2010

	Note	2010		2009	
		£000	£000	£000	£000
Net cash inflow from operating activities	21		7,782		3,525
Returns on investment and servicing of finance					
Interest received		321		401	
Net cash inflow from returns on investments and servicing of finance			321		401
Taxation					
U.K. Corporation tax paid		(106)		(344)	
			(106)		(344)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(3,704)		(2,671)	
Sale of tangible fixed assets		0		31	
Net cash outflow from capital expenditure and financial investment			(3,704)		(2,640)
Net cash inflow before use of liquid resources and financing			4,293		942
Management of liquid resources					
(Increase)/decrease in short term investments			(9,891)		1,351
(Decrease)/increase in cash in the year	22		(5,598)		2,293

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

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 2010 of the duration, number and value of these claims has been made and fully provided for in the financial statements on the basis of a discounted value using a rate of 4%. It is expected that the provision will be utilised over a period of between 40 to 50 years. 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.

(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 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 2010

4. Operating Profit

Operating profit is stated after accounting for the following:-		2010 £000	2009 £000
Auditors' remuneration	- audit of the financial statements	59	64
	- audit of the group pension schemes	27	28
	- local statutory audit for subsidiary company	3	3
	- taxation services [#]	12	14
	- all other services	0	2
		101	111
Operating lease rentals	- land and buildings	468	424
	- other	56	71
		524	495
Loss/(profit) on disposal of fixed assets		10	(10)
Depreciation	- owned assets	2,161	2,471
Amortisation of intangible fixed assets		6	7

[#] Included in taxation services is £10,000 (2009 £11,000) relating to the PLA.

5. Employees

Staff costs (including Executive Board Members) during the year were:-		2010 £000	2009 £000
Wages and salaries		17,686	17,447
Social security costs		1,617	1,605
Pensions costs		3,381	2,388
		22,684	21,440
Staff severance		(1)	316
		22,683	21,756

The average monthly number of persons (including Executive Board Members) employed during the year was:-		2010 Number	2009 Number
Operations		296	302
Administration		48	48
		344	350

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.

Notes to the Accounts

For the year ended 31 December 2010

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	
	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
Executive Members:-						
R L Everitt (highest paid Board member)	178,318*	178,318	1,987	1,947	180,305	180,265
B Chapman	109,396*	108,400	1,987	1,947	111,383	110,347
D G Snelson	101,289*	99,556	6,737	9,233	108,026	108,789
Non-Executive Members:-						
S P Sherrard (Chairman) (retired 31.12.09)	0	82,256	0	0	0	82,256
H A Alexander (Chairman) (appointed 01.06.09)	82,256	13,594	0	0	82,256	13,594
R S Steedman (appointed 01.12.09)	23,304	1,942	0	0	23,304	1,942
R D M Lenthall (appointed 01.01.09)	23,304	23,304	0	0	23,304	23,304
J F Mills	32,048	26,947	0	0	32,048	26,947
W D Everard	27,748	25,156	0	0	27,748	25,156
P K Sarwal	26,451	26,451	0	0	26,451	26,451
P J Matthews	27,748	27,748	0	0	27,748	27,748
J A G Kennedy (retired 31.07.09)	0	20,530	0	0	0	20,530
J W Beech (retired 31.03.09)	0	5,826	0	0	0	5,826
	631,862	640,028	10,711	13,127	642,573	653,155

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 2010 was £12,185 per annum (2009 £10,125).

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

* Includes car allowance:

	2010	2009
R L Everitt	10,000	10,000
B Chapman	8,844	8,844
D G Snelson	737	0

7. Net interest

	2010 £000	2009 £000
Interest receivable	335	389
Share of joint venture interest:-		
Receivable	4	5
	339	394

Notes to the Accounts

For the year ended 31 December 2010

8. Tax On Profit/(Loss) on Ordinary Activities

	2010 £000	2009 £000
a. Analysis of charge/(credit) for the year:-		
Corporation tax at 28% (2009 28%)	1,158	122
Adjustment in respect of prior years	0	(13)
Total corporation tax (Note 8b)	1,158	109
Deferred tax	271	(595)
Adjustment in respect of prior years	164	9
Total deferred tax (Note 14)	435	(586)
Share of joint venture tax:-		
Corporation tax at 21% (2009 21%)	18	33
Deferred tax	24	(17)
Total joint venture tax	42	16
Total taxation charge/(credit) to profit and loss account	1,635	(461)

b. Factors affecting current tax charge for the year:-

Profit/(loss) on ordinary activities before taxation	5,988	(1,441)
Corporation tax thereon at 28% (2009 28%)	1,676	(403)
Effects of:		
Share of profit of joint venture	(59)	(22)
Disallowable expenditure	64	82
Accelerated capital allowances	62	133
Utilisation of prior years losses	(438)	(297)
Capital proceeds	(471)	(18)
Pension contribution relief in (advance)/arrear of net pension cost charge	(628)	846
Prior year adjustment	0	(13)
Forward spreading of pension contributions paid	803	0
Other timing differences	149	(199)
Corporation tax charge for the year (Note 8a)	1,158	109

c. Factors affecting future tax charges

A number of changes to the UK Corporation Tax system were announced in the June 2010 Budget Statement and in the Budget of 23 March 2011. The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. A further reduction in the main rate of corporation tax by 1% to 26% was substantively enacted on 29 March 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These changes have not been substantively enacted at the balance sheet date and therefore, have not been included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 23%, if these applied to the recognised deferred tax at 31 December 2010, would be to reduce the recognised deferred tax asset by £958,000.

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

The group has capital losses carried forward of £6,405,000 (2009 £7,655,000) 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 or in relation to other timing differences of £16,268,000 (2009 £15,629,000) as neither the capital losses 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 2010

9. Fixed Assets – Intangible Assets

Consolidated and PLA	Licences £000
Cost	
At 1 January 2010	330
Additions	0
At 31 December 2010	330
Amortisation	
At 1 January 2010	63
Charge for year	6
At 31 December 2010	69
Net book value at 31 December 2010	261
Net book value at 31 December 2009	267

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 2010	12,394	6,007	10,422	8,665	16,309	53,797
Additions	690	816	207	1,119	687	3,519
Disposals	(13)	0	0	0	(231)	(244)
At 31 December 2010	13,071	6,823	10,629	9,784	16,765	57,072
Depreciation						
At 1 January 2010	4,100	3,070	4,266	5,534	10,947	27,917
Charge for year	351	74	387	388	961	2,161
Eliminated on disposals	(12)	0	0	0	(222)	(234)
At 31 December 2010	4,439	3,144	4,653	5,922	11,686	29,844
Net book value at 31 December 2010	8,632	3,679	5,976	3,862	5,079	27,228
Net book value at 31 December 2009	8,294	2,937	6,156	3,131	5,362	25,880

The net book value of leasehold property held under long leases included in land and buildings above is £59,000 (2009 £60,000).

Notes to the Accounts

For the year ended 31 December 2010

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

Consolidated	Shares £000	Retained Profit £000	Total £000
At 1 January 2010	2	112	114
Share of profit for year	0	169	169
Actuarial gain on defined benefit pension scheme	0	146	146
At 31 December 2010	2	427	429

PLA	2010 £000	2009 £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 (2009 £127,000) and was charged £1,955,000 (2009 £1,721,000) for boarding and landing services. At 31 December 2010 the PLA owed £405,000 (2009 £121,000) to Estuary Services Limited for unpaid boarding and landing services received.

12. Capital Commitments

Consolidated and PLA	2010 £000	2009 £000
Capital expenditure which has been contracted for but which has not been provided for in the accounts	17,504	2,229

On 4 January 2010, the PLA entered into an agreement with London Gateway Port Limited who plan to develop the site of the Shellhaven oil refinery into a container port. The project includes channel dredging to a depth of 14.5 metres which will provide a significant benefit to port users. The agreement states that the PLA will contribute up to a maximum of £17m towards dredging, hydrography services and wreck removals if the project goes ahead. The 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	2010			2009		
	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	284	4	288	370	50	420
In the second to fifth year inclusive	80	28	108	3	50	53
Over five years	60	0	60	18	0	18
	424	32	456	391	100	491

Notes to the Accounts

For the year ended 31 December 2010

14. Deferred Tax

	2010 £000	2009 £000
Consolidated and PLA		
Balance at 1 January	4,087	741
Profit and loss account movement for the year (Note 8a)	(435)	586
Credited to the STRGL	2,812	2,760
Balance at 31 December	6,464	4,087
Deferred tax comprises:		
Accelerated capital allowances	(747)	(540)
Unrelieved trading losses carried forward	0	363
Other timing differences	973	232
Deferred tax excluding that relating to pensions	226	55
Pension deficit	6,238	4,032
Total deferred tax	6,464	4,087

Of the total deferred tax asset of £6,464,000 (2009 £4,087,000), £6,238,000 (2009 £4,032,000) is included within the net pension liability on the balance sheet.

The total deferred tax movement in the year includes a charge of £144,000 (2009 nil) as a result of the change in the rate at which deferred tax is recognised from 28% to 27%. This figure is made up of £23,000 for amounts previously credited to the profit and loss account and £121,000 for amounts previously credited to the STRGL.

15. Current Assets – Debtors

	Consolidated		PLA	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts due within one year:-				
Trade debtors	5,612	5,780	5,559	5,774
Amounts owed by Port of London Properties Limited	0	0	6	6
Deferred tax (Note 14)	226	55	226	55
Other debtors	282	527	282	527
Prepayments and accrued income	776	748	776	748
	6,896	7,110	6,849	7,110
Amounts due after one year:-				
Trade debtors	12,880	12,880	0	0
	19,776	19,990	6,849	7,110

Notes to the Accounts

For the year ended 31 December 2010

16. Current Liabilities – Creditors

	Consolidated		PLA	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts falling due within one year:-				
Bank overdraft	0	274	0	274
Trade creditors	85	570	85	570
Amounts owed to joint venture company	405	121	405	121
Other taxation and social security	887	745	887	745
Corporation tax	1,089	37	1,072	16
Other creditors	756	597	756	597
Accruals and deferred income	3,507	3,542	3,492	3,497
	6,729	5,886	6,697	5,820

17. Creditors – Amounts falling due after more than one year

CONSOLIDATED AND PLA	2010 £000	2009 £000
Amounts falling due after more than one year:-		
Deferred Income		
Repayable in years 2-5	400	56
Repayable after 5 years	1,847	213
Other creditors	360	360
	2,607	629

18. Provisions for Liabilities and Charges

Consolidated and PLA	2010 £000	2009 £000
At 1 January	17,199	17,666
Utilised during the year	(922)	(672)
Increase in provision due to unwinding of discount at 4%	688	707
Arising during the year	0	(502)
At 31 December	16,965	17,199
Payable within 1 year	677	773
Payable in years 2-5	2,974	2,899
Payable after 5 years	13,314	13,527
	16,965	17,199

19. Contingent Liabilities

- (a) The PLA 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 PLA 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 PLA would have made additional contributions of £0.9m to this scheme during the 5 year period up to 31 December 2010. During 2008 the Trustee of the scheme ceased to collect these additional voluntary contributions from the participating bodies and started a process of seeking a Court ruling to determine a mechanism for the allocation of the past deficit associated with this scheme. During 2010, the PLA made no contributions to this scheme as it has no current active members (2009 nil).

In 2010 the Court decided that the Trustee has the power under the Rules of the Scheme to amend the Scheme so as to impose contributions on all categories of CHA, not limited by reference to the pensionable service of such CHA's members, hence including those ports utilising self employed pilots. The Court ruling is now in the process of being appealed by various ports that utilise self employed pilots. The Court of Appeal hearing is anticipated in May 2011.

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 PLA is unable to determine its share of the past-service deficit on a reasonable basis. The potential pre-tax liability that could arise in relation to the past-service deficit for this scheme could range from £0.5m to £10m as at 31 December 2010.

In the absence of an agreement on the allocation of the past-service deficit, the PLA 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	
	2010 £000	2009 £000	2010 £000	2009 £000
At 1 January	32,600	54,817	13,432	35,076
Profit/(loss) for year	4,353	(980)	5,083	(840)
Actuarial gain/(loss) on pension schemes	2,758	(23,564)	2,758	(23,564)
Movement in deferred tax relating to pension schemes	2,812	2,760	2,812	2,760
Share of actuarial gain/(loss) on joint venture defined benefit pension scheme	146	(433)	0	0
At 31 December	42,669	32,600	24,085	13,432

Notes to the Accounts

For the year ended 31 December 2010

21. Net cash inflow from operating activities

	2010 £000	2009 £000
Group operating profit	7,047	1,757
Less share of operating profit of joint venture	(218)	(83)
Group operating profit excluding joint venture	6,829	1,674
Depreciation and impairment of tangible fixed assets	2,161	2,471
Amortisation of intangible fixed assets	6	7
Loss/(profit) on disposal of fixed assets	10	(10)
Decrease in stocks	14	4
Decrease in debtors	151	661
Increase/(decrease) in creditors	2,476	(253)
Decrease in provisions for liabilities and charges	(234)	(467)
Difference between pension charge and cash contributions	(3,631)	(562)
Cash inflow from operating activities	7,782	3,525

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

	2010 £000	2009 £000
(Decrease)/increase in cash	(5,598)	2,293
Cash outflow/(inflow) from net increase/(decrease) in liquid resources	9,891	(1,351)
Change in net funds resulting from cash flows	4,293	942
Net funds at 1 January	33,709	32,767
Net funds at 31 December	38,002	33,709

23. Analysis of Change in Net Funds

	At 1 Jan 2010 £000	Cash flows £000	Other changes £000	At 31 Dec 2010 £000
Cash and bank balances	18,983	(5,872)	0	13,111
Overdrafts	(274)	274	0	0
Cash and bank balances including overdrafts	18,709	(5,598)	0	13,111
Current asset investments – short term deposits	15,000	9,891	0	24,891
Net funds	33,709	4,293	0	38,002

24. Government grants

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

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

25. Subsidiary companies

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

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

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

26. Pensions

Consolidated and PLA

The major scheme in which the PLA participates is the Port of London Authority Pension Fund (PLAPF), a funded final salary defined benefits scheme. For members joining the scheme after 31 March 2009 a CARE section has been set up. It is administered by a Committee of Management which, as at 13 April 2011, 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 Quy

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

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

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

Notes to the Accounts

For the year ended 31 December 2010

26. Pensions – continued

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

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

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

The Pilots National Pension Fund

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

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 2010. The principal actuarial assumptions at the balance sheet date were as follows:-

	2010	Consolidated and PLA All Schemes	
		2009	2008
Discount rate	5.60%	5.80%	6.75%
Expected return on scheme assets at the end of the year	5.25%-6.2%	5.0%-5.8%	5.2%-5.9%
Rate of increase in salaries	3.90%	4.00%	3.20%
Price inflation	3.40%	3.50%	2.70%
Pension increases (min 3%, max 5%)	3.70%	3.75%	3.40%
Post-retirement mortality	#2	#2	#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% per annum and mortality at all ages increased by 10%

Plan Assets – PLAPF	2010			2009			2008		
	£m	%	EROA	£m	%	EROA	£m	%	EROA
Equities	51.5	20%	7.75%	48.4	19%	7.75%	38.9	16%	8.00%
Hedge Funds	52.0	20%	7.75%	0.0	0%	0.00%	0.0	0%	0.00%
Fixed interest gilts	0.0	0%	4.20%	45.2	18%	4.50%	122.8	51%	3.80%
Index linked gilts	33.6	13%	4.00%	18.8	8%	4.30%	8.2	3%	3.80%
Corporate bonds	120.5	46%	5.60%	133.1	54%	5.80%	66.2	27%	6.75%
Cash and other assets	2.0	1%	0.50%	3.2	1%	0.50%	6.7	3%	2.00%
Total plan assets	259.6	100%	6.20%	248.7	100%	5.80%	242.8	100%	5.20%
Expected rate of return on plan assets			6.2%			5.8%			5.2%

Notes to the Accounts

For the year ended 31 December 2010

26. Pensions – continued

Plan Assets – PLAWWOPF	2010			2009			2008		
	£m	%	EROA	£m	%	EROA	£m	%	EROA
Equities	6.0	23%	7.75%	5.2	21%	7.75%	4.2	18%	8.00%
Fixed interest gilts	5.3	21%	4.20%	7.8	32%	4.50%	8.3	35%	3.80%
Index linked gilts	0.6	2%	4.00%	1.7	7%	4.30%	0.0	0%	3.80%
Corporate bonds	13.6	53%	5.60%	9.2	38%	5.80%	10.9	46%	6.75%
Cash and other assets	0.3	1%	0.50%	0.5	2%	0.50%	0.2	1%	2.00%
Total plan assets	25.8	100%	5.70%	24.4	100%	5.60%	23.6	100%	5.90%

Expected rate of return on plan assets		5.7%		5.6%		5.9%
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Plan Assets – PLARBS	2010			2009			2008		
	£m	%	EROA	£m	%	EROA	£m	%	EROA
Equities	0.0	0%	7.75%	0.0	0%	7.75%	0.0	0%	8.00%
Fixed interest gilts	0.5	17%	4.20%	1.1	33%	4.50%	1.5	38%	3.80%
Index linked gilts	0.1	3%	4.00%	0.4	12%	4.30%	0.0	0%	3.80%
Corporate bonds	2.4	79%	5.60%	1.7	52%	5.80%	2.3	59%	6.75%
Cash and other assets	0.0	1%	0.50%	0.1	3%	0.50%	0.1	3%	2.00%
Total plan assets	3.0	100%	5.25%	3.3	100%	5.00%	3.9	100%	5.50%

Expected rate of return on plan assets		5.25%		5.0%		5.5%
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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	2010	2009
	£000	£000
PLAPF	22,941	22,082
PLAWWOPF	2,529	1,808
PLARBS	289	116
	25,759	24,006

Notes to the Accounts

For the year ended 31 December 2010

26. Pensions – continued

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

Amounts to be recognised in the balance sheet	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000
At 31 December 2010				
Fair value of scheme assets	259,610	3,004	25,803	288,417
Actuarial value of scheme liabilities*	(281,368)	(4,351)	(20,442)	(306,161)
(Deficit)/surplus in the schemes	(21,758)	(1,347)	5,361	(17,744)
Irrecoverable surplus	0	0	(5,361)	(5,361)
Pension liability recognised in balance sheet before allowance for deferred tax	(21,758)	(1,347)	0	(23,105)
Related deferred tax	5,875	363	0	6,238
Net pension liability	(15,883)	(984)	0	(16,867)
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)

* 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:

	2010 £000	2009 £000
PLAPF	1,433	1,357
PLARBS	119	0
PLAWWOPF (unrecognised due to irrecoverable surplus on scheme)	387	366
	1,939	1,723

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

Year ended December:	All Schemes	
	2010 £000	2009 £000
Opening defined benefit liability	300,354	266,125
Admin reserve balances	216	147
Service cost	3,381	2,388
Interest cost	16,818	17,239
Employee contributions	884	791
Actuarial losses on scheme liabilities	6,370	35,431
Benefits paid	(21,862)	(21,767)
Past service costs	0	0
Closing defined benefit liability	306,161	300,354

Notes to the Accounts

For the year ended 31 December 2010

26. Pensions – continued

Analysis of the defined benefit obligation

	All Schemes	
Year ended December:	2010 £000	2009 £000
Present value of unfunded liabilities	0	0
Present value of funded liabilities	306,161	300,354

Reconciliation of fair value of plan assets

	All Schemes	
Year ended December:	2010 £000	2009 £000
Opening fair value of scheme assets	276,408	270,281
Expected return on scheme assets	15,566	13,768
Actuarial gains on scheme assets	10,193	10,238
Contributions by the company	7,228	3,097
Contributions by employees	884	791
Benefits paid	(21,862)	(21,767)
Closing fair value of scheme assets	288,417	276,408

Estimate of the Profit & Loss Figures before tax for the year ending 31 December 2011

	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000
Service Cost*	3,506	0	60	3,566
Interest Cost	15,237	222	1,094	16,553
Expected return on assets	(15,647)	(143)	(1,439)	(17,229)
Effect of irrecoverable surplus	0	0	285	285
Net profit & loss charge before tax	3,096	79	0	3,175

* The service cost is net of employee contributions

	£000	£000	£000	£000
Employers best estimate of contributions to be paid to the fund in 2011*	4,700	0	0	4,700

* During the year discussions took place to determine the future level of employer contributions following the 31 March 2009 actuarial valuation. The PLA agreed a recovery plan with the Trustees of the PLAPF whereby in addition to the current rate of employer contributions an additional £1.6m per annum will be paid to the fund effective from the 31 March 2009 actuarial valuation. Therefore deficit contributions of £3.2m were due and paid during April 2010. From 2011 up to 18 annual payments of £1.6m will be paid for the remainder of the recovery plan or until the deficit is eliminated. The above figure of £4.7m includes the additional £1.6m due in 2011. The PLA has also granted the Trustees of the PLAPF security over future landfill royalties and licence income from the London Eye as a guarantee against these future annual deficit repairs. During December 2010 an additional £1m over and above the agreed recovery plan was paid to the fund.

Notes to the Accounts

For the year ended 31 December 2010

26. Pensions – continued

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

Year ended December:	All Schemes	
	2010 £000	2009 £000
Opening cumulative STRGL	(22,729)	(1,925)
Actuarial gains/(losses) net of deferred tax	5,570	(20,804)
Closing cumulative STRGL	(17,159)	(22,729)

History of assets, liabilities and actuarial gains and losses

Year ended December:	All Schemes				
	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of scheme assets [§]	288,417	276,408	270,281	305,833	313,975
Present value of defined scheme liability	(306,161)	(300,354)	(266,125)	(293,374)	(313,975)
(Deficit)/surplus [#]	(17,744)	(23,946)	4,156	12,459	0
# Includes irrecoverable surplus on PLAWWOPF/PLARBS	5,361	4,161	5,679	10,128	9,375

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

Year ended December:	All Schemes				
	2010	2009	2008	2007	2006
Experience (loss)/gain on scheme liabilities and changes in assumptions					
Amount (£000)	(6,370)	(35,431)	27,139	18,868	(2,532)
Percentage of the present value of the scheme liabilities	(2)%	(12)%	10%	6%	(1)%
Difference between the expected and actual return on scheme assets					
Amount (£000)	10,193	10,238	(35,596)	(6,470)	(4,124)
Percentage of the present value of the scheme assets	4%	4%	(13)%	(2)%	(1)%

Amounts to be recognised in the profit and loss account

	Year ended 31 December 2010				2009 £000
	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000	
Movement in administration expense reserve	76	119	21	216	147
Current service cost	3,324	0	57	3,381	2,388
Total service cost	3,400	119	78	3,597	2,535

Analysis of other financial costs

Interest on pension scheme liabilities	(15,412)	(285)	(1,121)	(16,818)	(17,239)
Expected return on assets in the pension scheme	14,081	151	1,199*	15,431	13,657
Other financial costs attributable to the PLA	(1,331)	(134)	78	(1,387)	(3,582)
Share of other financial costs in joint venture				(11)	(10)
Total other financial costs				(1,398)	(3,592)

* 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)

	2010 £000	2009 £000
Actual return less expected return on pension scheme assets	8,998	9,791
Actuarial losses on scheme liabilities	(6,240)	(33,355)
Actuarial loss recognised in STRGL before adjustment for tax	2,758	(23,564)

Movement in schemes' net deficit during the year

	2010 £000	2009 £000
Combined deficit in schemes at beginning of year	(28,107)	(1,523)
Movements in year to 31 December:-		
Service cost	(3,597)	(2,535)
Employer contributions	7,228	3,097
Other finance costs	(1,387)	(3,582)
Actuarial loss	2,758	(23,564)
Combined deficit in schemes at end of year	(23,105)	(28,107)

Statement of Members' Responsibilities

In Respect of the Annual Report and the Financial Statements

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the PLA will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

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

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

Independent Auditor's Report

to the Members of Port of London Authority (PLA) for the year ended 31 December 2010

We have audited the financial statements of the Port of London Authority for the year ended 31 December 2010 which comprise the Consolidated Profit and Loss account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and PLA Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the PLA's members, as a body, in accordance with the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981. Our audit work has been undertaken so that we might state to the PLA's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the PLA and the PLA's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and PLA's affairs as at 31 December 2010 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981.

Ernst & Young LLP
Statutory Auditor
London

April 2011

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

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

Annual Report & Accounts 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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