



ABOUT THE PLA

The Port of London Authority works with the port community to create a safe, sustainable and competitive environment for the benefit of its commercial customers and the enjoyment of leisure users of the tidal Thames

THE PORT OF LONDON AUTHORITY'S MISSION IS TO:

- Facilitate the safety of navigation on the tidal Thames
- Deliver value for money services to our commercial customers and promote the potential of the Port of London
- Respect the environment of the tidal Thames and pursue principles of sustainable development
- Provide an efficient, professional and equitable service to commercial and leisure users and riparian owners on issues affecting the River
- Safeguard the navigational access to and the viability of the Port of London and its infrastructure

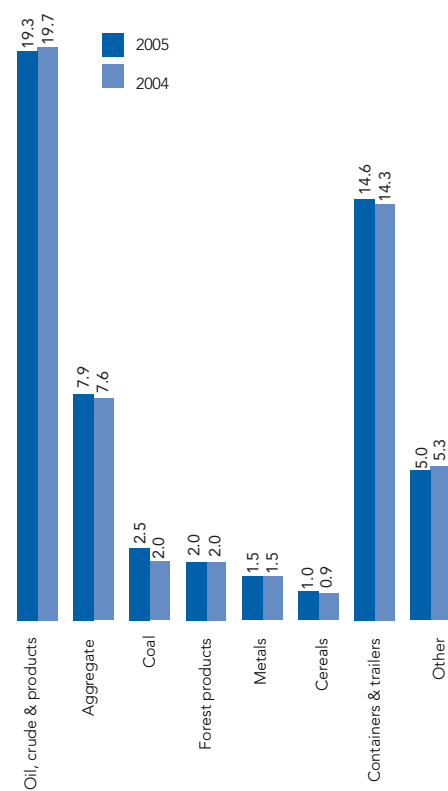
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TRADE AND FINANCIAL HIGHLIGHTS

TRADE

million tonnes



TRADE

	2005 million tonnes	2004 million tonnes
Imports	45.0	43.9
Exports	8.8	9.4
Total	53.8	53.3

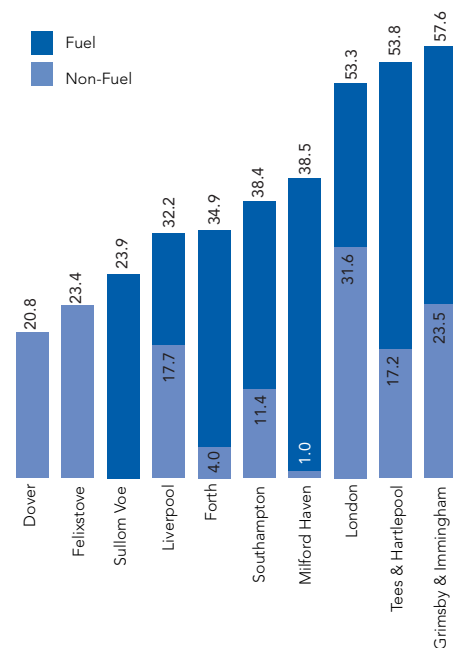
UNITISED TRAFFIC - (included in above tonneages)

	000 twenty-foot equivalent units	000 twenty-foot equivalent units
Imports	948	939
Exports	756	734
Total	1,704	1,673
Number of chargeable vessel arrivals to the Port of London	11,846	12,372

UNITED KINGDOM PORT TRAFFIC 2004

million tonnes

Source: Department of Transport



Note: 2005 Statistics not yet available

FINANCIAL HIGHLIGHTS

	2005 £m	2004 £m
Turnover	40.8	37.8
Operating profit	1.2	1.1
Profit before taxation	3.2	2.5
Net cash flow from operating activities	6.6	4.2

MEMBERS, OFFICERS AND ADVISERS

COMMITTEES OF THE BOARD

(as at 1 January 2006)

(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)

Audit Committee

A A Knight, Chairman
J W Beech
R D Clegg
S P Sherrard

Licensing Committee

J A G Kennedy, Chairman
J W Beech
R L Everitt
P J Mole
A B Richardson

Remuneration Committee

R D Clegg, Chairman
J A G Kennedy
A A Knight

Charitable Donations Committee

S P Sherrard, Chairman
R L Everitt
P J Mole

Auditors

PricewaterhouseCoopers LLP
First Point
Buckingham Gate
Gatwick
RH6 0PP

MANAGEMENT EXECUTIVE COMMITTEE

(as at 1 January 2006)

Chief Executive

R L Everitt

Chief Financial Officer

B Chapman

Chief Harbour Master

A B Richardson

Secretary

D Cartlidge

Head of Marketing

G P Adam

Head of Personnel and Development

G W Witham

Head of Support Services

J G K Smith

MEMBERS OF THE AUTHORITY (AS AT 1 JANUARY 2006)

S P SHERRARD

Simon Sherrard (58) was appointed Chairman of the PLA in January 2001, having first been appointed as a non-executive member in August 2000.

Since 1995 he worked for Bibby Line Group and remains its non-executive Chairman. He also holds a number of other non-executive positions: Chairman of Johnson Service Group plc, Chairman of A & P Group Limited, ship repairers and Deputy Chairman of Lloyd's Register.

Mr Sherrard served as High Sheriff of Cheshire for the 2004/2005 year. He is an Elder Brother of Trinity House, Deputy Chairman of the Liverpool School of Tropical Medicine, a Member of the Council of the Mission to Seafarers, a Liveryman of the Worshipful Company of Shipwrights and a Freeman of the Company of Waterman & Lightermen.

R D CLEGG

Duncan Clegg (63) was appointed a non-executive member of the PLA in January 1998 and elected as Vice Chairman on 1 September 2002.

He is Chairman of Low & Bonar PLC, a specialist materials supplier and manufacturer, and Chairman or a director of other companies. He was previously an executive director of Lazard Brothers & Co Limited where he specialised in corporate finance.

Mr Clegg is an enthusiastic supporter of rowing and leisure activities on the Thames and was lately the London Representative of the annual Oxford and Cambridge University Boat Race and is a Steward of Henley Royal Regatta. He is Chairman of Dorney Lake Trust, the independent charity which manages the international rowing course in Berkshire. He is a member of the Cook Society, which encourages business connections between Australia and the UK, and a Freeman and member of the Court of the Company of Watermen and Lightermen.

JW BEECH, CBE, QFSM

Jeremy Beech (56) was appointed a non-executive member of the PLA in March 2003 and only recently ended a full career in the UK Fire Service latterly serving as the Chief Fire Officer of Kent.

Mr Beech served on the Anglo-French Channel Tunnel Safety Authority, established to oversee all aspects of safety in relation to the construction and operation of the Channel Tunnel. Mr Beech

led for the Safety Authority, on numerous public safety policy areas, including Bi-National Emergency Planning. He also assisted Military and other agencies with tactical planning in the unique and complex environment of the Channel Tunnel.

In 2000, he retired from public service in order to establish his own Consulting Practice. Following the events of 11 September 2001, he was appointed by Ports Division of the Department for Transport as a security consultant, to review UK port vulnerability, contribute to the work of the IMO, and undertake other security related assignments. He continues to be actively involved in maritime security as well as fire and civil protection consulting. He is a Chartered Marine Engineer, a Fellow of the Institute of Marine Engineering Science and Technology, a fellow of the Institution of Fire Engineers, a Past Master of the Worshipful Company of Fire-fighters, a Trustee of the Kent Foundation, a Governor of Mid Kent College and a director of the Queen Victoria Hospital NHS Foundation Trust in West Sussex.

B CHAPMAN

Brian Chapman (53), 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 and an alternate director of UK Major Ports Group (UKMPG) and a trustee of a number of pension funds.

R L EVERITT

Richard Everitt (57) 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 and a non-executive Director of Air Partners plc.

J A G KENNEDY, OBE

Joanna Kennedy (55) was appointed a non-executive member of the PLA in August 2000. She is a Director of Ove Arup & Partners Ltd., the global consultants providing planning, project management, engineering and design services in the built environment. She specialises in the project management of major complex building and infrastructure works. She is a fellow of the Royal Academy of Engineering and of the Institution of Civil Engineers and was appointed OBE in 1995 for services to consulting engineering. She is a Council Member of the Royal College of Art, a Commissioner of the Royal Commission for the Exhibition of 1851 and a member of the Engineering and Physical Sciences Research Council. She is an active sailing enthusiast.

A A KNIGHT

Angela Knight (55) was appointed a non-executive member of the PLA in September 2002. She is currently Chief Executive of the Association of Private Client Investment Managers and Stockbrokers (APCIMS), responsible for the trade body activities of 220 member firms across the UK and other European countries. She is also deputy Chairman of Scottish Widows and a non-executive director of Lloyds TSB plc, LogicaCMG Plc. and International Financial Services London. From 1972 to 1977 she worked for Air Products Limited and between 1977 and 1983 she set up and ran a specialist metal heat treatment company. From 1992 to 1997 she served as a Member of Parliament for Erewash and was a Treasury minister from 1995 to 1997.

P J MOLE

Peter Mole (54) was appointed a non-executive member of the PLA in January 2003 prior to which he was Director Operations with Global Marine Systems Limited.

Mr Mole started his career at sea with the Peninsula and Oriental Steam Navigation, serving on cargo, container and passenger ships. In 1978 he left P&O for BT (Marine) Limited where he enjoyed a varied career both at sea and ashore and finally was appointed General Manager Installation Services Division. From 1995 to 2000 he worked for Cable & Wireless (Marine) in a variety of roles finally being promoted to Director for Customer Service covering global sales and marketing in 1999. Mr Mole remained with the company following its take-over by Global Crossing in 2000 and was appointed to the Global Marine Board, which he left in 2002. Mr Mole is a liveryman of the Worshipful Company of Shipwrights.

REAR ADMIRAL A B RICHARDSON, CB

Bruce Richardson (64), Chief Harbour Master, was appointed an executive member of the PLA in 1996. Admiral Richardson joined the PLA in August 1994, following a career in the Royal Navy. As the PLA Chief Harbour Master he has responsibility for operational and navigational matters, including pilotage, vessel traffic management, hydrography and harbour services.

He is a Younger Brother of Trinity House, a Freeman of The Company of Watermen and Lightermen and a Fellow of the Nautical Institute. He has been President of the International Harbourmasters Association since 1998.

CHAIRMAN'S STATEMENT

CARGO HANDLED UP AGAIN - TO 53.8 MILLION TONNES

PLA OPERATING PROFIT OF £1.24 MILLION (£1.07M IN 2004)

CULTURAL CHANGE PRODUCING BELOW INFLATION PRICE INCREASES

ENVIRONMENTAL STANDARD ISO 14001 ACHIEVED

FURTHER INVESTMENT FOR THE BENEFIT OF RIVER USERS

The diversity of trades and cargoes within the Port of London enables me to report an overall growth in tonnage through the Port to 53.8 million tonnes, thus maintaining London as one of the United Kingdom's leading ports. It is interesting to note that the number of ships calling at the Port fell by 4.25% reflecting the increasing size of vessel being used on our trades. Within this volume, a small increase over 2004, unitised cargo continued to rise as did aggregates while crude oil volumes fell back. With the difficulties being experienced in the retail market at present there is some uncertainty about the growth prospects for 2006.

OPERATIONS

Over the last five years we have been pursuing a programme of changing the culture of the PLA into that of a customer-facing organisation which we believe will enhance our ability to undertake our regulatory and other obligations. Progress was made during 2005 with a detailed analysis of the costs of providing our services and I am pleased to report that as a result we were able to announce that conservancy charges for 2006 would rise somewhat less than the rate of inflation. We are committed to pursuing this programme which will continue to enhance the competitiveness and sustainability of the Port without compromising safety and the quality of the services we provide.

FINANCIAL RESULTS

The PLA achieved an operating profit for 2005 of £1.24 million (2004 £1.07m). This result included £2.29m income from landfill royalties (£3.00m) and an exceptional charge in connection with one of our pension funds, consequent upon its actuarial revaluation, of £0.90m (£Nil). Additionally, an amount of £0.53m was charged as additional depreciation, mainly in respect of our floating cruise-liner landing stage in order to bring its value into line with its likely revenue generation. The overall surplus for the year on ordinary activities after taxation was £2.15m (£1.75m). Our operations generated cash of £6.65m (£4.19m) which translated into a net increase in cash and liquid resources combined of £5.03m (£0.71m) after taking into account investment in maintaining and enhancing port infrastructure, tax, interest and payments in respect of loans and leases.

The surplus for the year reflected the increasing success of our objective of generating revenue beyond our regulatory income and is essential if we are to be able to continue to fund essential capital projects and give us protection against the risks posed by the various pension funds where we have potential liabilities.

CHAIRMAN'S STATEMENT

continued

CAPITAL PROJECTS

Our investment programme during 2005 was smaller than in recent years but no less important in enhancing the margin of safety on the river. Projects included further incremental improvements to the vessel traffic display system following the major upgrade in 2004, the procurement of state of the art hydrographic equipment for our survey teams and the replacement of main engines in a number of the PLA craft. Reflecting the increasing awareness of the potential threat from terrorism, we enhanced the resilience of our key operational and business systems. Importantly, we completed the design work on the Thames Automatic Identification System (AIS) which will enhance safety in Central London where radar surveillance is impracticable due to the number of bridges and their proximity to each other. The programme to have this system fitted on all vessels will commence during 2006. At the end of 2005, we let the contract to build a new shed and offices at Denton replacing our existing life expired facilities which, when completed, will enhance operational efficiencies.

Port users continued to show confidence in the future by embarking on major capital projects. To name but a few, Tilbury Port completed a new technologically advanced paper handling warehouse for Stora Enso, Tilbury Power Station enlarged its coal handling pier thus allowing larger ships to be discharged and Tilbury Container Services erected additional gantries.

LONDON GATEWAY PORT

The potential redevelopment by P&O of the former oil refinery site at Shell Haven has been a regular feature of this statement for the last seven years. It is extremely disappointing to note that approval has yet to be received from the Planning Authorities although some progress was seen in July 2005 when the First Secretary of State and the Secretary of State for Transport both stated that they were minded to agree that the project should be approved. It is common ground that new container port facilities are required in South East England if the economic health of this nation is to be preserved and the extended delays in the consideration of such projects is proving highly detrimental. Since the "minded to approve" announcement, work has been undertaken by P&O to satisfy the requirements and all parties involved have made a

further three rounds of submissions and we urge the Government to approve this project without further delay.

The Department for Transport has announced that it will be undertaking a Ports Policy Review later this year and whatever else is considered the manner in which major port infrastructure projects are assessed and how the planning approval process can be speeded up must be given a very high priority.

THE MIDDLE AND UPPER RIVER

It has been said that for Londoners the River Thames is London's best kept secret and yet, on two occasions during 2005, it entered the public consciousness. I am pleased to be able to report that the plan created by London Resilience for the Thames to be used in the event of a terrorist attack proved successful on the 7 July when an estimated 20,000 people who had either been advised through pre-planning or through public announcements on the day made their way to the river for transportation in the direction of their homes when all land-based public transport came to a halt. I congratulate the boat operators who provided this assistance in what must have been very difficult circumstances with no-one knowing quite what was going to happen next.

On a happier note, the re-enactment of the Nelson Flotilla on 16 September created a spectacle on the river which had not been seen for many years and was witnessed by thousands of onlookers on the banks and the bridges. It was heartening to see that an event on the river could capture the public imagination to such an extent and as part of our role of promoting the river and Port, we will be looking at how we can build on this.

Considerable progress was also made in the level of safety surrounding the rowing activities. Following the undertaking of a Safety Risk Assessment, we are consulting with the rowing fraternity and other interested parties on the issues arising therefrom. We have also embarked on a new programme of communicating with river users through area-based public meetings the first of which was held in the upper reaches in May and the second at the Museum in Docklands in October.

REGULATION

I am delighted to report that the ill-conceived European Directive on Port Services which was resuscitated by the out-going European Commissioner following its earlier defeat, has been abandoned following concerted pressure from a wide variety of different sources. This Directive would have been highly detrimental to the United Kingdom's ports industry.

THE ENVIRONMENT

I am also pleased to report that the arguments as to the dangers from offshore windfarms both to safety of navigation and commercial interests put forward by the ports industry to Government seem to have been taken into account with safeguards being introduced into the legislation and research being undertaken by the Maritime Coastguard Agency as to the effect of the interference with radar and VHF that windfarms will create.

Environmental matters continue to play an increasingly important part in the way that the PLA goes about its business and we have achieved certification to the European Standard Ports Environmental Review System as a precursor to us becoming certified to ISO 14001 which we achieved in March 2006. We remain disappointed however that dogma rather than pragmatism appears to be the watchword of the environmental authorities and we continue to make the case that there has to be a proper balance between environmental and commercial considerations. Although we are not directly responsible for the cleanliness of the River Thames, we are making a major contribution both in terms of time and finance to the new Thames21 Charity which is making considerable progress in its objective of keeping our London waterways as clean as possible. We continue to be concerned about foul water contamination which affects the river following torrential downpours and we urge the Government to proceed swiftly with the plans proposed by Thames Water to alleviate the problem.

THE BOARD

At the end of 2005, Pamela Castle retired after 8 years as a member and I should like to thank her for the contribution she has made particularly in the environmental area. Subsequent to the year end, I am pleased to advise that Dr Peter Matthews, a well-respected Environmental Scientist has joined the Board, and that Mr Pommy Sarwal, an expert in the financial structure of the ports industry, will be joining from June 2006. These appointments were made under the new arrangements arising from the Harbour Revision Order adopted late in 2005 whereby responsibility for the appointment of Board Members is now divided equally between the Secretary of State for Transport and the PLA.

STAFF

As I have mentioned above, the PLA is undertaking a programme of change to its culture and change is often unsettling. As one would expect from employees who are as dedicated and as skilled as we have, there has been a magnificent response. There is however much still to do and I have no doubt that the challenges will be addressed with enthusiasm. On behalf of the Board I should like to say thank you.



SIMON P SHERRARD
CHAIRMAN

29 March 2006

REPORT OF THE BOARD

CONSTITUTION

The Port of London Authority is a public trust constituted under the Port of London Act 1968 and Harbour Revision Orders of 1975, 1992, 1999, 2003 and 2005. It has no equity capital and all its operations are financed from revenue. Finance for capital work comes from internally generated funds supplemented by commercial loans and leasing.

The PLA Board comprises a Chairman and up to 3 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.

PRINCIPAL RESPONSIBILITIES

Under the Port of London Act, the PLA is charged with taking such action as is necessary for the improvement and conservancy of the tidal Thames. To discharge this duty the PLA:

- regulates navigation by means of river byelaws, general directions and other associated byelaws
- licenses river works and dredging
- undertakes hydrographic surveys
- registers craft and boats for hire
- removes wrecks and other hazards to navigation
- licences watermen and lightermen
- maintains Richmond lock and weir

In addition, the PLA is the harbour authority for its area of jurisdiction, under the Harbours Act 1964, and provides the pilotage service as the competent harbour authority under the Pilotage Act 1987. The PLA is also a competent authority under the Conservation (Natural Habitats & c) Regulations 1992.

The PLA promotes commercial activities in the Port of London.

PORT OF LONDON PROPERTIES LIMITED (POLP)

On 31 December 2005 POLP was continuing to work towards an orderly divestment of its remaining non-property obligation with a view to becoming dormant.

MEMBERS

Mrs Castle retired from the PLA on 31 December 2005.

As a consequence of the Harbour Revision Order 2005, the following Members were re-appointed by the Port Authority on 31 December 2005:

JW Beech until 28 February 2006

RD Clegg until 31 December 2006

JAG Kennedy until 31 July 2006

ATTENDANCE AT MEETINGS

There were 10 meetings of the PLA Board in 2005.

Members attended as follows:

S P Sherrard	8
R D Clegg	7
P M Castle	9
R L Everitt	10
A B Richardson	9
J A G Kennedy	10
B Chapman	10
A A Knight	10
P Mole	9
J W Beech	10

DAVID CARTLIDGE

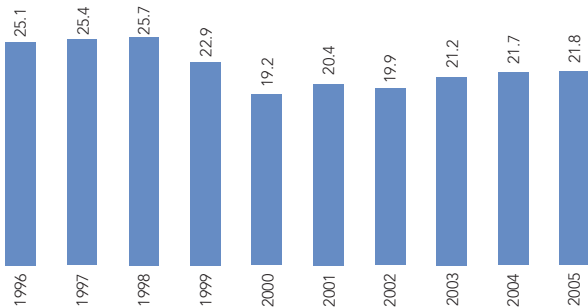
Secretary

By Order of the Board

TRADE STATISTICS

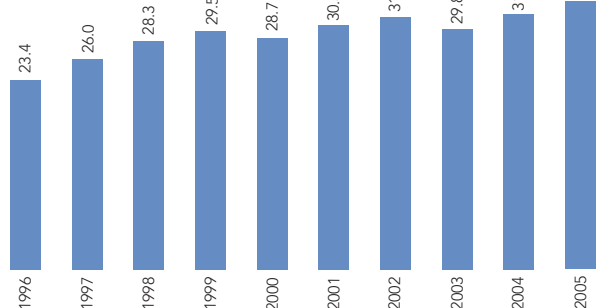
PORT OF LONDON FUEL TRAFFIC

million tonnes



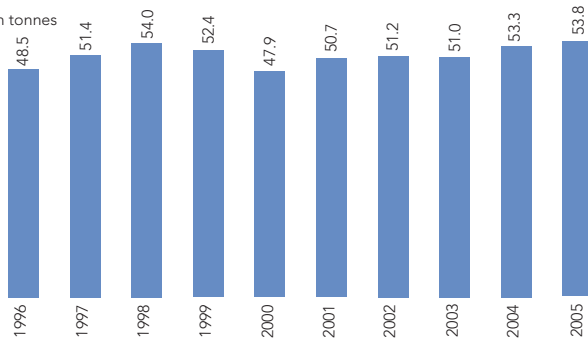
PORT OF LONDON NON-FUEL TRAFFIC

million tonnes



PORT OF LONDON TOTAL TRAFFIC

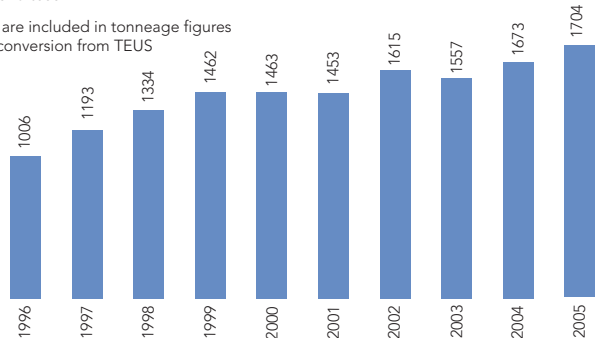
million tonnes



PORT OF LONDON UNITISED TRAFFIC

thousand teus

TEUS are included in tonnage figures after conversion from TEUS



	Imports		Exports		Total	
	2005	2004	2005	2004	2005	2004
	million tonnes		million tonnes		million tonnes	
Oil, crude & products	17.1	16.7	2.2	3.0	19.3	19.7
Aggregates	7.9	7.6	0.0	0.0	7.9	7.6
Coal	2.5	2.0	0.0	0.0	2.5	2.0
Forest products	2.0	2.0	0.0	0.0	2.0	2.0
Metals & ores	0.7	0.8	0.8	0.7	1.5	1.5
Cereals	0.6	0.5	0.4	0.4	1.0	0.9
Containers & trailers	10.1	10.0	4.5	4.3	14.6	14.3
Other cargo	4.1	4.3	0.9	1.0	5.0	5.3
TOTAL	45.0	43.9	8.8	9.4	53.8	53.3

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

UNITISED TRAFFIC

(included in the above tonnages)

	Imports		Exports		Total	
	000 twenty-foot equivalent units		000 twenty-foot equivalent units		000 twenty-foot equivalent units	
Ro/Ro terminals(trailers & containers)	583	609	386	407	969	1,016
Container terminals	365	330	370	327	735	657
Unitised Total (TEUS)	948	939	756	734	1,704	1,673

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005		2004 As restated	
		£000	£000	£000	£000
Turnover including share of joint venture			40,761		37,800
Less: share of joint venture			597		487
PLA turnover			40,164		37,313
PLA operating expenditure					
Before exceptional items		37,494		36,244	
Exceptional items	4	1,432		0	
Total			38,926		36,244
PLA operating profit	2		1,238		1,069
Share of operating profit of joint venture			194		153
Operating profit including joint venture			1,432		1,222
Net interest	8		958		786
Other financial income	27		798		493
Profit on ordinary activities before taxation			3,188		2,501
Taxation	9		(1,037)		(748)
Profit for the year	22		2,151		1,753

All results are in respect of continuing activities.

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

Details of the restatement are given in note 1(c).

Statement of Recognised Gains and Losses (STRGL)

		2005 £000	2004 £000
Profit for the financial year		2,151	1,753
Actuarial gain/(loss) on pension scheme	27	4,900	(1,300)
Movement on deferred tax relating to pensions		(1,470)	390
Total recognised gains and losses relating to the year attributable to the PLA		5,581	843
Share of STRGL of joint venture		(110)	14
Total recognised gains and losses relating to the year		5,471	857
Prior year adjustment		4,730	
Total gains and losses recognised since the last annual report		741	

The PLA also has unrecognised gains of £445,000 for the year ended 31 December 2005 (2004: £3,206,000) in relation to two pension schemes which have irrecoverable surpluses (see note 27).

BALANCE SHEET

AT 31 DECEMBER 2005

	Note	2005 £000	2004 (As restated) £000
Fixed assets			
Intangible assets	10	294	300
Tangible assets	11	24,111	25,102
Investments	12	25	25
Joint venture:-	13		
Share of gross assets		846	842
Share of gross liabilities		(294)	(358)
Share of pension deficit		(414)	(334)
		24,568	25,577
Current assets			
Deferred tax	16	958	1,623
Stocks		246	267
Debtors	17	6,459	5,886
Investments		13,002	12,886
Cash and bank balances		12,410	7,703
		33,075	28,365
Current liabilities			
Creditors: amounts falling due within one year	18	6,208	5,345
Net current assets		26,867	23,020
Total assets less current liabilities		51,435	48,597
Creditors: amounts falling due after more than one year			
Loans	19	2,720	2,890
Other amounts	20	1,090	130
		3,810	3,020
Net assets excluding pension deficit		47,625	45,577
Pension deficit	27	(973)	(4,396)
Net assets including pension deficit		46,652	41,181
Reserves			
Profit and loss account	22	46,652	41,181

Details of the restatement are given in note 1(c).

These financial statements, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow flow statement and the related notes were approved by the Board of Members on 4 April 2006 and were signed on its behalf by:-

S P SHERRARD
Chairman

R L EVERITT
Chief Executive

B CHAPMAN
Chief Financial Officer

CASH FLOW STATEMENT

AT 31 DECEMBER 2005

	Note	2005		2004	
		£000	£000	£000	£000
Net cash inflow from operating activities	23		6,649		4,188
Dividends received from joint venture			92		60
Returns on investment and servicing of finance					
Interest received		1,191		968	
Interest paid		(172)		(174)	
Interest paid on finance leases		(28)		(34)	
Net cash inflow from returns on investments and servicing of finance			991		760
Taxation					
Group relief received from Port of London Properties Limited Group		0		58	
U.K. Corporation tax paid		(284)		(219)	
			(284)		(161)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(2,162)		(3,796)	
Sale of tangible fixed assets		25		76	
Net cash outflow from capital expenditure and financial investment			(2,137)		(3,720)
Net cash inflow before use of liquid resources and financing			5,311		1,127
Management of liquid resources					
(Increase)/decrease in short term investments			(116)		5,533
Net cash inflow before financing			5,195		6,660
Financing					
Bank loan principal repayments		(170)		(170)	
Principal repayments under finance leases		(107)		(245)	
Net cash outflow from financing			(277)		(415)
Increase in cash in the year	25		4,918		6,245

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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, with the exception of the changes highlighted in note 1(c), have been applied consistently, is set out below.

(a) Basis of accounting

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

(b) Basis of preparation

An agreement with the Secretary of State for Transport took effect from 1 January 1993, resulting in severe long term restrictions which have substantially hindered the exercise of the rights of the PLA over the management of, and preclude the PLA from deriving any economic benefit from, Port of London Properties Limited Group, PLA's only trading subsidiary companies. On these grounds Port of London Properties Limited Group has been excluded from consolidation which results in PLA not producing Group accounts although Port of London Properties Limited Group remains in the ownership of the PLA.

(c) Changes in accounting policy

The effect of the change in accounting policy upon the adoption of FRS 17 "Retirement benefits", (excluding the joint venture), is as follows for both the current and prior year:

	2005 £000	2004 £000
Profit and loss account		
(Increase)/decrease in staff costs	(810)	590
Increase in other financial income	800	500
increase/(decrease) in the deferred tax asset	3	(327)
	(7)	763
Statement of total recognised gains and losses		
Total recognised gains/(losses)	3,430	(910)
Balance sheet		
Net pension deficit	(973)	(4,396)

In addition to the above there has been a prior year adjustment of (£4,627k) to reflect the opening net pension deficit on the Authority's defined benefit pension schemes and that of the net pension deficit of the joint venture, Estuary Services Limited as at 1 January 2004.

The Authority has also adopted FRS 21 "Events after the balance sheet date" during the year. This has not had any impact on the financial statements.

(d) Turnover

Turnover represents all revenue earned and is accounted for on a receivable basis. Revenue from land sales is accounted for as receivable on legal completion of a sale.

(e) Intangible fixed assets

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

NOTES TO THE ACCOUNTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

(f) Tangible fixed assets

- (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) Fixed asset investments

The shares of the joint venture, Estuary Services Limited, are stated at PLA's share of net assets.

(h) Stocks

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

(i) 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.

(j) Payments to suppliers

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

(k) Operating leases

Costs in respect of operating leases are charged to the profit and loss account as incurred

(l) 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.

(m) Pensions

The Authority operates several defined benefit pension schemes. These funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the authority benefits from the employees' services. Variations from regular cost are spread over the remaining service lives of current employees. Such costs are calculated by reference to actuarial valuations. The Authority provides no other post retirement benefits to its employees.

2. OPERATING PROFIT

	2005 £000	2004 (As restated) £000
Turnover		
Conservancy charges on cargo	7,303	7,030
Conservancy charges on vessels	6,712	6,335
	14,015	13,365
Pilotage	11,928	10,671
River works licences and other rents	4,810	3,633
Services provided	1,919	2,337
Moorings	434	358
Landfill royalties	2,287	3,000
Other revenue	4,771	3,949
	40,164	37,313
Operating expenditure		
Operating payroll	18,767	16,528
Supplies and services	12,202	11,099
Depreciation, amortisation and impairment	3,188	2,349
Administration: payroll	1,903	2,993
other	2,866	3,275
	38,926	36,244
Operating profit	1,238	1,069

Operating profit is stated after exceptional items of £1,432,000 (2004: nil) as described in note 4.

3. PILOTAGE

	2005 £000	2004 £000
The profit and loss account includes the following relating to pilotage:-		
Turnover:-		
Providing pilotage services	11,890	10,627
Issue of pilotage exemption certificates	38	44
	11,928	10,671
Operating expenditure:-		
Providing the services of pilots	10,335	10,025
Providing, maintaining and operating pilot boats	524	524
Administration and other costs	1,002	809
Additional pension contributions (see notes 4 and 6)	899	0
	12,760	11,358

NOTES TO THE ACCOUNTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

4. EXCEPTIONAL ITEMS

	2005 £000	2004 £000
Additional pension contributions	899	0
Impairment of fixed assets	533	0
	1,432	0

Further details of the exceptional pension cost are given in note 6.

The Members have reviewed the expected useful lives of tangible fixed assets and have determined that it is necessary to recognise an impairment loss of £533,000 to ensure that certain fixed assets are stated at an appropriate carrying amount in accordance with FRS11 "Impairment of fixed assets and goodwill".

5. OPERATING PROFIT BEFORE TAXATION

	2005 £000	2004 £000
The operating profit before taxation is stated after accounting for the following:-		
Auditors' remuneration - audit	47	38
Auditors' remuneration - other	6	0
Operating lease rentals - land and buildings	497	462
- other	75	78
	572	540
Profit on disposal of fixed assets	(19)	(23)
Depreciation - owned assets	2,547	2,233
- assets held under finance leases and hire purchase contracts	102	109
	2,649	2,342
Amortisation of intangible fixed assets	6	7
Exceptional items (see note 4)	1,432	1,396

Remuneration of the PLA's auditors for provision of taxation services to the PLA was £57,000 (2004 £62,000).

6. EMPLOYEES

	2005 £000	2004 £000
Staff costs (including Executive Board Members) during the year were:-		
Wages and salaries	15,130	14,703
Social security costs	1,458	1,427
Pensions costs - normal	3,150	3,352
Pensions costs - exceptional (see below)	899	0
	20,637	19,482
Staff severance	15	20
	20,652	19,502

Exceptional pension costs in 2005 relate to a one-off payment to eliminate the Authority's share of the deficit on the Pilots National Pension Fund (note 26b).

	2005 Number	2004 Number
The average monthly number of persons (including Executive Board Members) employed during the year was:-	353	359

NOTES TO THE ACCOUNTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

7. 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.

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

	Basic Salary and Fees		Taxable Benefits		Total	
	2005 £	2004 £	2005 £	2004 £	2005 £	2004 £
Executive Members:-						
R L Everitt (highest paid Board member 2005) (appointed 01.01.05)	130,000*	0	1,857	0	131,857	0
S C Cuthbert (highest paid Board member 2004) (retired 31.12.04)	0*	123,600	0	1,443	0	125,043
B Chapman	91,840*	89,344	1,857	1,443	93,697	90,787
A B Richardson	94,933*	84,974	1,486	8,527	96,419	93,501
Non-Executive Members:-						
S P Sherrard (Chairman)	72,170	70,000			72,170	70,000
R D Clegg	32,040	31,075			32,040	31,075
P M Castle (retired 31.12.05)	22,090	21,425			22,090	21,425
J A G Kennedy	22,090	21,425			22,090	21,425
A A Knight	22,090	21,425			22,090	21,425
P J Mole	19,330	18,750			19,330	18,750
J W Beech	19,330	18,750			19,330	18,750
	525,913	500,768	5,200	11,413	531,113	512,181

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 2005 was £1,611 per annum (2004 £9,213).

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

* Includes car allowance:

R L Everitt	£10,000 (2004 nil)
B Chapman	£8,844 (2004 £8,844)
A B Richardson	£8,844 (2004 £1,474)
S C Cuthbert	nil (2004 £10,000)

8. NET INTEREST

	2005 £000	2004 £000
Interest receivable:-		
Other interest receivable	1,141	992
Less interest payable:-		
Loans	(172)	(174)
Finance leases	(8)	(28)
	961	790
Share of joint venture interest:-		
Payable	(9)	(12)
Receivable	6	8
	958	786

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £000	2004 £000
a. Analysis of charge for the year:-		
Corporation tax at 30% (Note 9b)	342	261
Adjustment in respect of prior years	(3)	37
Group relief receivable at 30%	0	(58)
Deferred tax (Note 16)	662	481
Share of joint venture tax:-		
Corporation tax at 19% (2004 19%)	26	8
Deferred tax	10	19
	1,037	748
b. Factors affecting tax charge for the year:-		
Profit on ordinary activities before taxation	3,188	2,501
Corporation tax thereon at 30% (2004 30%)	956	750
Effects of:-		
Disallowable expenditure	68	4
Accelerated capital allowances	204	(153)
Utilisation of prior years losses	(844)	0
Dividends receivable from joint venture	(17)	29
Pension contribution relief in excess of net pension cost charge	3	(327)
Share of profit of joint venture	(40)	(31)
Other timing differences	12	(11)
Corporation tax charge for the year (Note 9a)	342	261

NOTES TO THE ACCOUNTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

10. FIXED ASSETS - INTANGIBLE ASSETS

	Licences £000
Cost	
At 1 January 2005	330
Additions	0
At 31 December 2005	330
Amortisation	
At 1 January 2005	30
Charge for year	6
At 31 December 2005	36
Net book value at 31 December 2005	294
Net book value at 31 December 2004	300

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.

11. FIXED ASSETS - TANGIBLE ASSETS

	Land and buildings £000	Dredging £000	River structures £000	Floating craft £000	Plant and equipment £000	Total £000
Cost						
At 1 January 2005	9,558	3,547	9,690	6,929	11,985	41,709
Additions	189	110	285	478	1,135	2,197
Disposals	(134)	0	0	(10)	-289	(433)
At 31 December 2005	9,613	3,657	9,975	7,397	12,831	43,473
Depreciation						
At 1 January 2005	2,777	2,365	1,732	3,585	6,148	16,607
Charge for year	279	220	564	383	1,203	2,649
Impairment (see note 4)	0	0	128	325	80	533
Eliminated on disposals	(134)	0	0	(10)	(283)	(427)
At 31 December 2005	2,922	2,585	2,424	4,283	7,148	19,362
Net book value at 31 December 2005	6,691	1,072	7,551	3,114	5,683	24,111
Net book value at 31 December 2004	6,781	1,182	7,958	3,344	5,837	25,102

Net book value of leasehold property held under long leases included above is:-

62

Net book value assets held under finance leases and hire purchase contracts included above is:-

859

12. INVESTMENTS

	2005 £000	2004 £000
Holding at 31 December	25	25

On 30 September 2003, in response to a call for funds to finance a new air conditioning unit for the Georgian Hall building of the Company of Watermen and Lighterman of the River Thames, PLA purchased twenty-five unsecured loan notes of £1,000 each, maturing in 2008, issued by Minorities Holdings Limited, a wholly owned subsidiary of the Company. Interest is payable at 1% above the Bank of England repo (base) rate every six months.

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

	Shares £000	Retained Profit £000	Total £000
At 1 January 2005 (as previously reported)	2	482	484
Prior year adjustment	0	(334)	(334)
At 1 January 2005 (as restated)	2	148	150
Share of profit for year	0	98	98
Actuarial (loss)/gain on pension scheme	0	(110)	(110)
At 31 December 2005	2	136	138

The PLA owns, as a long term investment, 50% of the ordinary share capital of Estuary Services Limited, a company incorporated in Great Britain, 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 £81,000 (2004 £82,000) and was charged £1,362,000 (2004 £1,228,000) for the boarding and landing service for pilots.

14. CAPITAL COMMITMENTS

	2005 £000	2004 £000
Capital expenditure which has been contracted for but which has not been provided for in the accounts	290	173

NOTES TO THE ACCOUNTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

15. FINANCIAL COMMITMENTS

	2005			2004		
	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	463	40	503	277	37	314
In the second to fifth year inclusive	0	56	56	179	35	214
Over five years	18	0	18	18	0	18
	481	96	577	474	72	546

16. DEFERRED TAX

	2005 £000	2004 £000
Balance at 1 January as previously reported	-	1,777
Prior year adjustment	-	1,821
Balance at 1 January as restated	3,507	3,598
Charged in the profit and loss account for the year (Note 9a)	(662)	(481)
Charged to the STRGL	(1,470)	390
Balance at 31 December	1,375	3,507
Deferred tax comprises:-		
Accelerated capital allowances	(900)	(1,067)
Unrelieved trading losses carried forward	1,846	2,690
Other timing differences	12	0
Deferred tax excluding that relating to pension deficit	958	1,623
Pension deficit	417	1,884
Total deferred tax	1,375	3,507

Of the total deferred tax asset of £1,375k (2004 (restated): £3,507k), £417k (2004 (restated): £1,884k) has been deducted in arriving at the net pension liability on the balance sheet.

17. CURRENT ASSETS - DEBTORS

	2005 £000	2004 £000
Amounts falling due within one year:-		
Trade debtors	5,228	4,860
Dividends receivable	0	37
Other debtors	417	344
Prepayments and accrued income	814	645
	6,459	5,886

18. CURRENT LIABILITIES - CREDITORS

	2005 £000	2004 £000
Amounts falling due within one year:-		
Bank overdraft	344	555
Trade creditors	1,735	1,779
Amounts owed to joint venture company	119	95
Other taxation and social security	783	670
Corporation tax	166	111
Current instalments on finance leases and hire purchase contracts	68	110
Current instalments on loans	170	170
Other creditors	2,055	1,338
Accruals and deferred income	768	517
	6,208	5,345

19. CREDITORS - LOANS

	2005 £000	2004 £000
Amounts falling due after more than one year:-		
Repayable in years 2 - 5	680	680
Repayable after 5 years	2,040	2,210
	2,720	2,890

In 2003 PLA entered into a bank loan for £3.4m to finance the development of Denton Wharf. The loan is repayable in ten instalments of £170,000 commencing 31 December 2003, with a final payment of £1.7m on 31 December 2012. The loan is secured on the Denton Wharf property and interest is payable annually on 31 December at a rate based on the Bank of England base rate plus a margin of 0.97%.

NOTES TO THE ACCOUNTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

20. CREDITORS - OTHER AMOUNTS

	2005 £000	2004 £000
Amounts falling due after more than one year:-		
Obligations under finance leases and hire purchase contracts		
Repayable in years 2 - 5	39	114
Repayable after 5 years	6	16
Deferred Income		
Repayable in years 2 - 5	56	0
Repayable after 5 years	270	0
Other creditors	719	0
	1,090	130

21. 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.

22. RESERVES

	Profit and loss account	
	2005 £000	2004 £000
At 1 January as previously reported	-	44,951
Prior year adjustment	-	(4,627)
At 1 January as restated	41,181	40,324
Actuarial gain/(loss) on the pension schemes	4,900	(1,300)
Movement on deferred tax relating to pensions	(1,470)	390
Share of actuarial (loss)/gain on joint venture defined benefit pension scheme	(110)	14
Profit for year	2,151	1,753
At 31 December	46,652	41,181

23. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £000	2004 (As restated) £000
Operating profit per profit and loss account	1,432	1,178
Less: Share of operating profit of joint venture	(194)	(109)
PLA operating profit	1,238	1,069
Depreciation of tangible fixed assets	2,649	2,342
Impairment loss (see note 4)	533	0
Amortisation of intangible fixed assets	6	7
Profit on disposal of fixed assets	(19)	(23)
Decrease in stocks	21	45
(Increase)/decrease in trade debtors	(506)	230
Increase in other debtors	(73)	(92)
(Increase)/decrease in prepayments and accrued income	(220)	16
Increase in trade creditors	59	604
Increase/(decrease) in amount owed to joint venture company	24	(2)
Increase in other taxation and social security creditors	113	29
Increase in other creditors	717	668
Increase in creditors due in more than one year	719	0
Increase/(decrease) in accruals and deferred income	578	(115)
Decrease in administration expense reserve	(90)	(90)
Difference between current service cost and cash contributions	900	(500)
Total net cash inflow from operating activities	6,649	4,188

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

	2005 £000	2004 £000
Increase in cash	4,918	6,245
Cash (inflow)/outflow from net (decrease)/increase in liquid resources	116	(5,533)
Cash outflow from repayment of loans	170	170
Cash outflow from decrease in obligations under finance leases and hire purchase contracts	107	245
Change in net funds resulting from cash flows	5,311	1,127
Change in net funds resulting from other changes	20	0
Net funds at 1 January	16,734	15,607
Net funds at 31 December	22,065	16,734

NOTES TO THE ACCOUNTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

25. ANALYSIS OF CHANGE IN NET FUNDS

	At 1 January 2005 £000	Cash flows £000	Other changes £000	At 31 December 2005 £000
Cash and bank balances including overdrafts	7,148	4,918	0	12,066
Current asset investments - short term deposits	12,886	116	0	13,002
Total liquid resources	20,034	5,034	0	25,068
Debt due within 1 year:-				
Loans	(170)	170	(170)	(170)
Obligations under finance leases	(110)	107	(65)	(68)
Debt due after 1 year:-				
Loans	(2,890)	0	170	(2,720)
Obligations under finance leases	(130)	0	85	(45)
Net funds	16,734	5,311	20	22,065

26. CONTINGENT LIABILITIES

(a) The PLA continues to have potential liabilities arising from the time that it owned and operated docks. 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 responsibility for maintenance of certain transport infrastructure. It is impracticable to estimate the financial effect of these contingent liabilities. The funding of these liabilities remains under discussion with the Department for Transport. It is the Board's view that currently the PLA has access to sufficient financial resources to meet its obligations.

(b) The PLA, in common with other Competent Harbour Authorities, has been made aware of a significant deficit in the Pilots National Pension Fund (PNPF). Negotiations over the way this deficit can be repaired are continuing.

27. PENSIONS

Merger of the PLA New Pension Scheme (PLANPS) into the Port of London Authority Pension Fund (PLAPF)

The assets and liabilities of the PLANPS were transferred to the PLAPF with effect from 30 December 2004. The PLA made a one-off contribution of £1.396m to fully fund the deficit in the PLANPS on an agreed basis at that time.

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 February 2006, comprised:-

CHAIRMAN: R D Clegg

PORT AUTHORITY COMMITTEE PERSONS:-

R L Everitt

B Chapman

J A G Kennedy

P Mole

J W Beech

MEMBERS' COMMITTEE PERSONS:-

D S Bird

R G Brodie

J Freestone

K Elliott

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 attained age method. The latest actuarial assessment was at 31 March 2003. 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 rate of return on investments would be 5.0% per annum on assets held against non-active members and 6.6% per annum on assets held against active members (in the context of assumed price inflation of 2.5% per annum), that the rate of growth in payroll costs would be 4.5% per annum and that present and future pensions would increase at the rate of 3.25% per annum.

At the date of the latest actuarial valuation the market value of the assets of the PLAPF was £259.1 million which represented just over 100% of the value of the benefits that had accrued to members on the basis of the assumptions summarised above. In the opinion of the Actuary the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. In giving this opinion the assumption was made that the employer would increase its contribution from 17.8% to 20.3% of pensionable salaries with effect from 1 January 2004, which it has done in practice.

The Authority operates a further three 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 2004
Port of London Authority Retirement Benefits Scheme (PLARBS)	31 March 2004
Metropolitan Terminals Limited Retirement and Widows' Pension Scheme (MTLRWPS)	31 December 2003

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 2003. The PLA's share of the deficit on this scheme has been incorporated into the financial statements via the gross equity method.

The disclosures required under FRS17 have been based on the most recent actuarial valuations of the pension schemes as detailed above, updated to 31 December 2005. The financial assumptions adopted for assessing the schemes' liabilities as at 31 December 2005 were as follows:-

	2005 % pa	All schemes 2004 % pa	2003 % pa
Price inflation	2.80	2.80	2.75
General payroll cost inflation	4.80	4.80	4.75
Pension increase rate for:-			
Pensions subject to a minimum increase of 3% pa	3.50	3.50	3.50
Pensions subject to increase in line with RPI	2.80	2.80	2.75
Discount rate	4.80	5.30	5.40

NOTES TO THE ACCOUNTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

The assets in the scheme and the expected rate of return were:-

	At 31 December 2005		At 31 December 2004		At 31 December 2003	
	Expected rate of return % pa	Value £m	Expected rate of return % pa	Value £m	Expected rate of return % pa	Value £m
All schemes						
Equities	7.8	60.6	8.0	57.1	8.2	59.7
Corporate bonds	4.8	224.2	5.3	213.6	5.4	156.2
Fixed interest and index linked gilts	4.1	34.1	4.6	24.0	4.8	75.9
Cash and other assets	3.6	0.9	3.6	3.7	3.8	5.4
		319.8		298.4		297.2

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

	PLAPF £000	PLANPS £000	PLARBS £000	PLAWWOPF £000	MTLRWPS £000	Total £000
At 31 December 2005						
Fair value of scheme assets	284,100	na	6,500	29,200	na	319,800
Actuarial value of scheme liabilities	285,490*	na	6,463	21,648*	na	313,601
(Deficit)/surplus in the schemes	(1,390)	na	37	7,552	na	6,199
Irrecoverable surplus	0	na	37	7,552	na	7,589
Pension liability recognised in balance sheet before allowance for deferred tax	(1,390)	na	0	0	na	(1,390)
Related deferred tax	417	na	0	0	na	417
Net pension liability	(973)	na	0	0	na	(973)

At 31 December 2004

Fair value of scheme assets	265,100	na	6,600	26,400	300	298,400
Actuarial value of scheme liabilities	271,380*	na	6,600	19,256*	300	297,536
(Deficit)/surplus in the schemes	(6,280)	na	0	7,144	0	864
Irrecoverable surplus	0	na	0	7,144	0	7,144
Pension liability recognised in balance sheet before allowance for deferred tax	(6,280)	na	0	0	0	(6,280)
Related deferred tax	1,884	na	0	0	0	1,884
Net pension liability	(4,396)	na	0	0	0	(4,396)

At 31 December 2003

Fair value of scheme assets	261,000	4,100	6,900	24,900	300	297,200
Actuarial value of scheme liabilities	264,770*	6,400	6,900	20,962*	300	299,332
(Deficit)/surplus in the schemes	(3,770)	(2,300)	0	3,938	0	(2,132)
Irrecoverable surplus	0	0	0	3,938	0	3,938
Pension liability recognised in balance sheet before allowance for deferred tax	(3,770)	(2,300)	0	0	0	(6,070)
Related deferred tax	1,131	690	0	0	0	1,821
Net pension liability	(2,639)	(1,610)	0	0	0	(4,249)

* 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.

	2005 £000	2004 £000	2003 £000
PLAPF	1,290	1,380	1,470
PLAWWOPF (unrecognised due to irrecoverable surplus on scheme)	348	372	396
	1,638	1,752	1,866

	2005 PLAPF £000	2005 PLARBS £000	2005 PLAWWOPF £000	2005 Total £000	2004 Total £000
Analysis of the amounts charged to operating profit in respect of the defined benefit scheme.					
Release of administration expense reserve	(90)	0	0	(90)	(90)
Current service cost	3,100	0	0	3,100	3,100
Total service cost	3,010	0	0	3,010	3,010
Analysis of other financial income					
Interest on pension scheme liabilities	13,900	300	1,000	15,200	15,400
Expected return on assets in the pension scheme	14,700	300	1,000*	16,000	15,900
Other financial income attributable to the PLA	800	0	0	800	500
Share of other financial costs in joint venture				(2)	(7)
Total other financial income				798	493

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

	Year ended 31 Dec 2005 £000	Year ended 31 Dec 2004 £000
Analysis of amount recognised in the Statement of Total Recognised Gains and Losses		
Actual return less expected return on pension scheme assets	21,200	1,200
Experience gains/(losses) arising on the scheme liabilities	1,000	(300)
Changes in assumptions underlying the present value of the scheme liabilities	(17,300)	(2,200)
Actuarial gain/(loss) recognised in STRGL before adjustment for tax	4,900	(1,300)

	2005 £000	2004 £000
Movement in schemes' net surplus during the year		
Combined deficit in schemes at beginning of year	(6,280)	(6,070)
Movements in year to 31 December:-		
Service cost	(3,010)	(3,010)
Employer contributions	2,200	3,600*
Other finance income	800	500
Actuarial gain/(loss)	4,900	(1,300)
Combined deficit in schemes at end of year	(1,390)	(6,280)

* Includes an exceptional one-off contribution of £1,396k to eliminate a deficit on the Port of London Authority New Pension Scheme at the date of its merger with the the Port of London Authority Pension Fund.

NOTES TO THE ACCOUNTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

History of experience of gains and losses

	Year ended:		31 Dec 04		31 Dec 03	
		31 Dec 05	%	£m	%	£m
a. Actual return less expected return on schemes' assets						
Amount		21.2		1.2		3.6
% of schemes' assets at end of year	6.6		0.4		1.2	
b. Experience gain/(loss) on scheme liabilities						
Amount		1.0		(0.3)		(3.0)
% of the present value of the schemes' liabilities	0.3		0.1		(1.0)	
c. Total actuarial gain/(loss) recognised in STRGL						
Amount		4.9		(1.3)		(11.3)
% of the present value of the schemes' liabilities	1.6		0.4		(3.8)	

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE PORT OF LONDON AUTHORITY

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 Port of London Authority and of the profit or loss of the Authority for that year. In preparing those financial statements, they are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis.

The members confirm that the financial statements comply with the above requirements. The members accept responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority and enable them to ensure that the financial statements have been properly prepared in accordance with Section 42 of the Harbours Act, 1964 as amended by the Transport Act, 1981. They also accept responsibility for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

If the Authority's annual report and financial statements are published on the Authority's website, the members will be responsible for the maintenance and integrity of the website and any uncertainty arising as a result of the financial statements being available via the website in different legal and accounting jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PORT OF LONDON AUTHORITY (PLA)

We have audited the financial statements of the Port of London Authority for the year ended 31 December 2005 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The members' responsibilities for preparing the Annual Report and the 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 the responsibilities of the members of the Port of London Authority.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the PLA's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the Report of the Board is not consistent with the financial statements, if 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 PLA's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Harbours Act 1964, as amended by the Transport Act 1981.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Gatwick

4 April 2006

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Copies of the Annual Report and Accounts can be downloaded from our website www.portoflondon.co.uk and printed off.

