

PORT OF LONDON AUTHORITY

Annual Report
& Accounts 2006



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

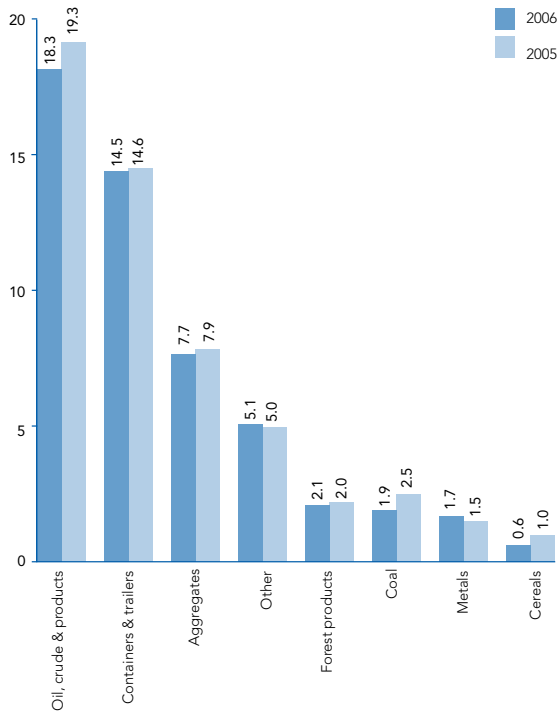
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ANNUAL REPORT & ACCOUNTS

TRADE & FINANCIAL HIGHLIGHTS

Trade



Trade

	2006 million tonnes	2005 million tonnes
Imports	43.2	45.0
Exports	8.7	8.8
Total	51.9	53.8

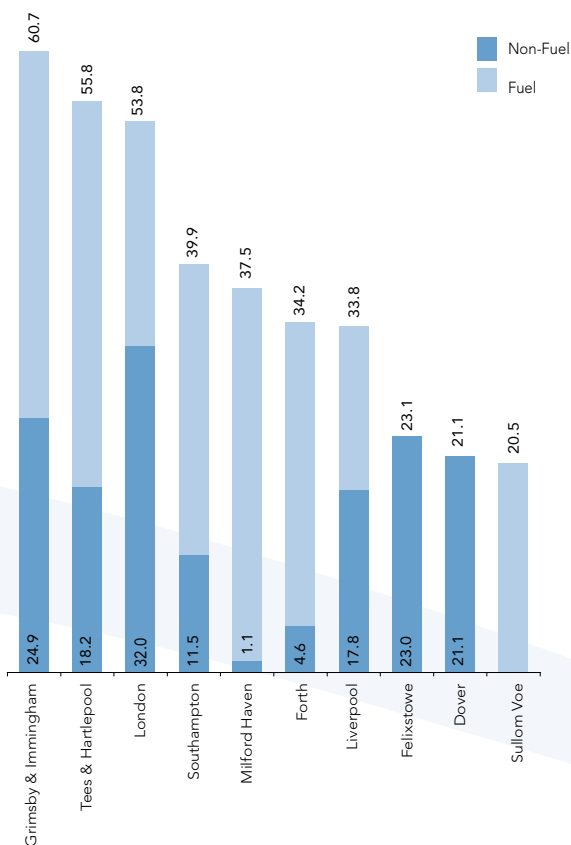
Unitised Traffic - (included in above tonneages)

	2006 000 twenty-foot equivalent units	2005 000 twenty-foot equivalent units
Imports	999	948
Exports	700	756
Total	1,699	1,704
Number of chargeable vessel arrivals to the Port of London	11,224	11,846

United Kingdom Port Traffic 2005

million tonnes
Source: Department for Transport

Note: 2006 Statistics not yet available



Financial Highlights

	2006 £m	2005 £m
Turnover	41.2	40.8
Operating profit	(0.3)	1.2
Profit before taxation	2.4	3.2
Net cash flow from operating activities	5.0	6.6

MEMBERS, OFFICERS AND ADVISERS

COMMITTEES OF THE BOARD

(as at 1 January 2007)

Audit Committee

P K Sarwal, Chairman (from 03/04/07)

J W Beech

P J Matthews

S P Sherrard

A A Knight (until 03/04/07)

Licensing Committee

J A G Kennedy, Chairman

J W Beech

R L Everitt

P J Mole

D G Snelson

Remuneration Committee

S P Sherrard, Chairman

J W Beech

J A G Kennedy

A A Knight

Charitable Donations Committee

S P Sherrard, Chairman

R L Everitt

P J Mole

Centenary Committee

S P Sherrard, Chairman

J W Beech

P J Mole

A F Gale

Nominations Committee

S P Sherrard, Chairman

J A G Kennedy

A A Knight

Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

First Point

Buckingham Gate

Gatwick

RH6 0PP

MANAGEMENT EXECUTIVE COMMITTEE

(as at 1 January 2007)

Chief Executive

R L Everitt

Chief Financial Officer

B Chapman

Chief Harbour Master

D G Snelson

Secretary

D Cartlidge

Director of Corporate Affairs

A F Gale

Director of Human Resources

G W Witham

Director of Engineering and Technical Services

J G K Smith

(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)

MEMBERS OF THE AUTHORITY

as at 1 January 2007

S P Sherrard

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

In 1985 he became Managing Director of Bibby Line Group Limited, being appointed Non-Executive Chairman in 2000. He also holds a number of other non-executive positions: Chairman of Johnson Service Group PLC, Chairman of A & P Group Limited, Shiprepairers and Senior Independent Director and Trustee 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 Member of the Court of the Worshipful Company of Shipwrights and a Freeman of the Company of Watermen and Lightermen.

A A Knight, CBE

Angela Knight was appointed Vice Chairman of the PLA in January 2007, having first been appointed as a non-executive member in September 2002.

In November 2006, she joined the British Bankers' Association as Chief Executive, having previously been Chief Executive of the Association of Private Client Investment Managers and Stockbrokers. She is a non-executive director of Logica. In her earlier career, Angela Knight held managerial positions in a number of industrial companies. She became a Member of Parliament in 1992 and was Economic Secretary in the Treasury from 1995 – 97. She was appointed a Commander of the Order of the British Empire in January 2007.

J W Beech, CBE, QFSM

Jeremy Beech was appointed a non-executive member of the PLA in March 2003 following a full career in the UK Fire Service latterly serving as the Chief Fire Officer of Kent during which he 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 now runs his own Consulting Practice and was engaged by the Department for Transport following the events of 11 September 2001, 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.

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 and Council Member of the Nautical Institute and a Fellow of the Chartered Management Institute. He was appointed a Companion of the Bath in 2003 and is a holder the United States Legion of Merit.

P K Sarwal

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

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

Until early in 2006, he was a partner in the Specialised Finance Group of Deloitte & Touche. He is a member of the Ports Advisory Group of the DTi Trade and Investment Division and also a non executive director of of Chatham Historic Dockyard, Christie Group plc and Hyde Housing Association. He is chairman of Master Ropemakers Ltd. Mr Sarwal is a Sloan Fellow of the London Business School.

MEMBERS OF THE AUTHORITY

continued

P J Matthews

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 thirty five years at Anglian Water.

In 2000, he was appointed to the Board of the Environment Agency, where his term of office expired during 2006. He is actively engaged in the work of the Chartered Institution of Water and Environmental Management (CIWEM); the European Water Association; and the Society for the Environment.

He serves on the Board of Anglia Ruskin University and a number of companies.

Dr Matthews was appointed Chairman for the Northern Ireland Authority for Energy Regulation from 1 April 2006.

B Chapman

Brian Chapman, Chief Financial Officer, was appointed an executive member of the PLA in September 2001 prior to which he spent many years in the food industry. His post prior to joining the PLA was as Finance Director of United Milk plc, and previously he was Regional Finance Director for the consumer products arm of the New Zealand Dairy Board. As Chief Financial Officer he is responsible for the accounting function, pensions, insurance and property. He is a director of Estuary Services Ltd, Port of London Properties Limited, Company Secretary of Thames 21 and an alternate director of UK Major Ports Group (UKMPG) and a trustee of a number of pension funds.

R L Everitt

Richard Everitt joined the PLA in December 2004 and was appointed Chief Executive from 1 January 2005. After qualifying as a solicitor in 1974, he spent four years in private practice before joining BAA, the airports company, in 1978. Following the privatisation of BAA in 1987, he joined the Board in 1991 as director responsible for strategy and regulatory matters. He resigned from the BAA Board in 2001 to become Chief Executive of National Air Traffic Services on its part privatisation, leaving in 2004. He is a Director of Estuary Services Limited and Port of London Properties Limited, Chairman of the United Kingdom Major Ports Group and a non-executive Director of Air Partner plc.

J A G Kennedy, OBE

Joanna Kennedy was appointed a non-executive member of the PLA in August 2000. She is a Director of Ove Arup & Partners Ltd, the international consulting firm providing business solutions, engineering design, environmental, planning and project management services in the built environment. She is the leader of Arup Project Management Europe. 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 and a Commissioner of the Royal Commission for the Exhibition of 1851. She is an active sailing enthusiast.

P J Mole

Peter Mole 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. He is an active narrow boat enthusiast and a member of the IWA.

CHAIRMAN'S STATEMENT

In 2006 the Port of London again maintained its position as one of the United Kingdom's leading ports handling 51.9 million tonnes of cargo. The 3.6% reduction over 2005 volumes reflected a marked fall in oil products owing to major maintenance at the Coryton Refinery. However, increases were seen in forest products, metals and scrap, chemicals, sugar and vegetable oils, again reflecting the wide range of cargoes handled by the Port's terminals whilst unitised trade held its own. Our focus on increasing the efficiency with which we are delivering our services continues to contribute to the competitiveness of the Port and we have again for 2007 announced an increase in conservancy charges of one percent below the rate of inflation.

The progressive improvement in safety on the River continued with no major navigational incidents during the year. We continue to focus on our key safety responsibilities with initiatives such as the introduction of the mandatory carriage of Thames AIS (Automatic Identification System) for larger vessels navigating above Greenwich. With the tidal Thames becoming busier and exciting prospects emerging this is an essential underpinning for the future.

Financial Results

2006 was yet another successful year for the PLA financially, with a profit before tax of £2.4 million achieved. After capital expenditure of £3.7 million and early repayment of a loan (used to re-build the jetty at Denton) of £2.9 million, our cash balances dipped slightly by £680,000. Our investments, in projects such as the development of our new warehouse and offices at Denton, were aimed at increasing the efficiency of our services and enhancing the way that we deliver our statutory obligations, particularly safety of navigation.

We are being successful in generating income streams beyond conservancy thus increasing our ability to continue to invest in facilities for the benefit of all river users.

I regret that the arcane rules of the accounting profession relating to pensions give rise to volatility in reported profits and prevent the reader of our income statement from understanding that 2006 was financially successful. From an actuarial standpoint, our pension funds are expected to be able to meet their liabilities. We remain concerned however that their substantial size, reflecting the historical activities of the PLA in operating docks and their associated employment, means that a small change in underlying assumptions, such as the rate of mortality, can have a disproportionate effect on our reserves.

Capital Projects

Two important capital projects were completed during 2006. Firstly, the initial stage of the dredging of Princes Channel, a southern approach to the Port in the mouth of the Estuary, was completed. This project is designed to provide a shorter, straighter and safer southern approach

to the Port, thus relieving pressure on Fisherman's Gat, not only improving access but also providing a wider tidal window for larger vessels.

The dredging arisings, which contain no contamination and are highly suitable for shore-based development, were so used but only after double handling required by the waste regulator in order to meet an EU Directive. We have recently learned that the European Parliament is proposing to amend the Directive so that such arisings can be used without this additional cost. We urge Defra and the Environment Agency actively to support this initiative as not to do so will increase the cost of many of the Government's flagship development projects including Thames Gateway and, possibly, the Olympics.

The second major development was the completion of the new warehouse and office complex at Denton where we are endeavouring to create a "cluster" for river users. As such, we are experiencing increasing demand for our jetty facility and the boatlift as well as being able to sublet offices to other river-related operations.

Port Development

During the year we received important confirmation of the Government's policy of safeguarding wharves that are essential to maintaining the River as a viable working river capable of helping to relieve road congestion. An application had been submitted to convert Peruvian Wharf in East London into a largely residential development, notwithstanding the interest by terminal operators in bringing the wharf back into use. We were pleased that the Secretary of State upheld the Government policy on safeguarding and we are now actively working with potential users who are keen to operate from this site.

Interest in using the Port remains strong and a number of new developments have been announced. Cemex plans to build a cement blending plant at Tilbury next year and RWE npower has confirmed in March this year plans to develop a new Power Station to replace its existing Tilbury operation. Both companies and their forebears are long-established users of the Port and their continued commitment to operations here is welcome.

The Olympics

During the year the PLA has been lobbying hard to ensure that the Olympic construction projects make best use of the River to reduce the number of associated vehicle movements on the roads. We see a major opportunity in particular for the movement of construction materials and we are delighted that British Waterways is constructing Prescott Lock thus allowing barges to navigate up to the main Olympic site.

CHAIRMAN'S STATEMENT

continued

A key objective of the Olympics initiative is that there should be a lasting legacy deriving from it and our aim is to ensure that one of the legacies is increasing use of the River both for the movement of building materials and people. In this latter context, we were pleased to hear of the proposed substantial increase in the fleet of Thames Clippers following the acquisition of a majority interest by the Anschutz Entertainment Group and we look forward to working closely with them and all other passenger boat operators to enhance their commercial prospects.

London Gateway Port

This is my seventh report as Chairman and the seventh time that I have referred to the proposed redevelopment of Shellhaven into London Gateway. It is a sad reflection on the infrastructure planning process in this country that we still have no decision from Government on this project, notwithstanding that a second "minded to approve" letter was issued in August 2006.

As I mentioned last year, the Department for Transport started a Ports Policy Review during 2006. I make no apologies for repeating my plea that the most important item on that agenda must be the simplification of the planning process for port development. This will allow the country to remain competitive in world trade. A failure to address this will result in the cost of transshipment from North West European ports being borne by the British consumer.

Rowing

The River Thames is an important location for rowing enthusiasts and, indeed, many of our most successful international medal winners started their rowing life on our River. We were therefore pleased to be able to introduce the new Code of Practice for Rowing, following a period of consultation and risk assessment in which all interested parties were involved. These are enhancing safety for not only rowers but all river users in the Upper River. Our commitment to this initiative is evidenced by the financial prizes that we will be awarding to those clubs which are best able to demonstrate their commitment to enhancing safety.

The Environment

As an organisation we are committed to the principles of sustainable development. We are embracing them in our own operations and supporting the development projects of others in moves towards greater sustainability. I am delighted to report that the project to develop a large windfarm in the Estuary has been substantially revised following extensive consultations. It now takes into account our concerns about the initial plans, which posed an undue risk to seafarers and would have prejudiced access to the Port. We were extremely concerned that this was the result of a Government failure properly to consult relevant parties at an early stage. However, after a shaky start the project has latterly become a

good example of the partnership working that is at the heart of our relationships with our own stakeholders.

We have long held and expressed our concerns that steps needed to be taken to address the problem of foul water contamination which affects the River Thames following torrential downpours. The Government's decision to give the go ahead for the Tideway Tunnel to tackle this issue is therefore wholeheartedly welcomed. This will be a very significant development project which we look forward to working on with Thames Water, particularly to support the movement of construction and associated materials by water.

The Board

At the end of 2006 two long serving board members retired. Duncan Clegg whose financial experience and rowing expertise enabled him to make a most valuable contribution to our deliberations had served nine years as a member, of which four were as Vice Chairman. Bruce Richardson, who had been our Chief Harbour Master for the last 12 years, also retired. During his tenure the margin of safety on the River has improved substantially and as a result the Port of London Authority is recognised as one of the world leaders in estuarial port risk assessment and mitigation. I should like to thank them both for their important contributions.

Angela Knight became Vice Chairman with effect from 1 January 2007 and we were pleased to see her appointed CBE in the New Year Honours list. On the same date we welcomed David Snelson as the new Chief Harbour Master following a distinguished career in the Royal Navy.

Staff

The PLA's evolution into an increasingly customer focused, service oriented organisation was sustained during 2006. This process is ongoing. Throughout this process of change, the contribution of our employees has been first class. On behalf of the Board, I should like to say thank you.



Simon P Sherrard
Chairman
15 March 2007

Constitution, Business Review and Principal Activities

The Port of London Authority (PLA) is a public trust 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. In addition, the PLA is the harbour authority for its area of jurisdiction, under the Harbours Act 1964, the competent harbour authority under the Pilotage Act 1987 and is a competent authority under the Conservation (Natural Habitats & c) Regulations 1992. As such, other responsibilities include the provision of pilotage services, security, managing aspects of the Thames environment and the promotion of the use of the tidal Thames for trade, leisure and pleasure.

As a self financing public trust, the PLA aims to cover the cost of its operations from the charges levied for services provided, including conservancy, pilotage and considerations for river works licences. The results for the PLA for 2006 show an overall profit after tax of £1.789m (2005 £2.151m).

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, adjacent to a market of in excess of 25 million people. However, the terminals and wharves that make up the Port are located principally along the lower reaches of the 95 miles of the tidal Thames. The additional steaming time required to access some of the berths adds to the competitive pressures.

For certain types of trade, in particular deep sea containerised traffic, there is a great need for additional capacity to be built nearer to the mouth of the Estuary, capable of handling larger ships. The development of the proposed London Gateway port would address this need for container vessels; a Government decision to grant this planning permission is long awaited.

Strategy

The PLA's core purpose 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 secure the PLA's core purpose, the organisation's priorities are to ensure that it:

- has a highly effective navigational safety management system
- acts as enlightened stewards of the environment both of the tidal Thames and in the way it works
- has good and constructive relations with its many customers and stakeholders
- is efficient in the provision of quality services to customers and users
- works to safeguard and ensure the full utilisation of the port's terminals and associated 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 and trained workforce
- has good internal and external communications.

The PLA will apply the business principles of sound financial management and service to customers and stakeholders to the delivery of its statutory responsibilities.

Principal Risks and Uncertainties

The PLA has 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 the transfer of the liability in whole or securing additional finance to cover the liability.

The PLA, in common with other operators of defined benefit pension schemes, also faces financial risk from potential deficits through improved pensioner longevity. The risk is particularly acute for the PLA since the pension scheme liabilities are several times larger than its Net Worth.

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

REPORT OF THE BOARD

1988. Pilots have been at liberty to join either the PLA or the PNPf since that date. The majority of PLA pilots have opted to join the Authority's fund. There remains however a significant past service deficit in the PNPf. The Trustees of the Fund have adopted an aggressive investment strategy and have also engaged with the employers association to seek an appropriate method to repair the deficit.

The PLA has made a payment reflecting the cost of the past service deficit for those pilots still active members at the date of the last valuation. It is unlikely that the financial position of the Fund will have improved significantly enough to reduce the deficit.

Members

The Port Authority 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.

Rear Admiral AB Richardson, CB retired from the PLA on 31 December 2006; Rear Admiral D G Snelson CB was appointed an Executive Member on 1 January 2007 in succession.

Mr R D Clegg, Vice Chairman, retired from the PLA on 31 December 2006; Mrs A A Knight was elected Vice Chairman by Members of the Authority with effect from 1 January 2007.

Dr P J Matthews was appointed a Member by the Secretary of State with effect from 1 March 2006 and Mr P K Sarwal was appointed a Member by the Authority on 1 June 2006. Mrs J A G Kennedy and Mr J W Beech were re-appointed as Members during 2006.

There were 11 meetings of the PLA Board in 2006, Members attended as follows:

S P Sherrard	11
R D Clegg	10
R L Everitt	11
A B Richardson	10
J A G Kennedy	10
B Chapman	11
A A Knight	11
P Mole	11
J W Beech	11
P J Matthews	8 out of 9
P Sarwal	6 out of 6

Port of London Properties Limited (POLP)

On 31 December 2006, POLP was continuing to work towards an orderly divestment of its remaining non-property related obligation with a view to becoming dormant.

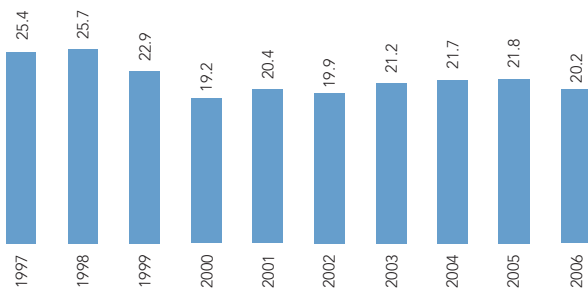
DAVID CARTLIDGE
Secretary
By Order of the Board

Key Performance Indicators

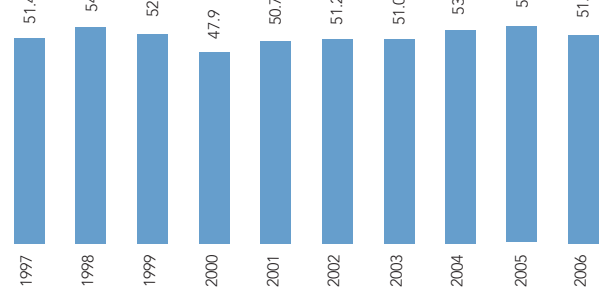
	2006	2005	Comment
Cargo (Mtonnes)	51.9	53.8	Volumes were particularly weak across a number of sectors with the oil sector in particular showing a marked reduction over the previous year.
Vessels (No.)	11,224	11,846	There has been a marked shift in the size of vessel entering the port over recent years. This has been particularly noticeable in the smaller ship of less than 3,000 gt. It is expected that this trend will continue.
Pilotage Acts	12,801	12,889	The reduction in ship numbers did not translate into a marked reduction in demand for pilots. As ship sizes have increased in London the demand for pilots has stabilised.

TRADE STATISTICS

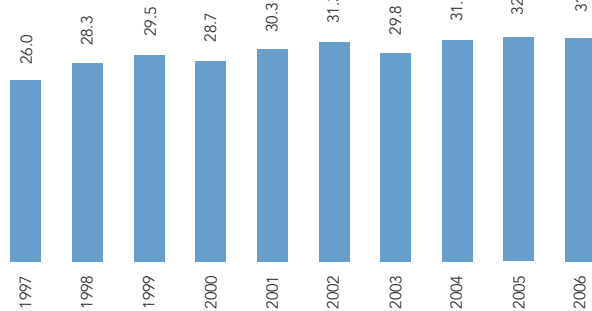
Port of London Fuel Traffic
million tonnes



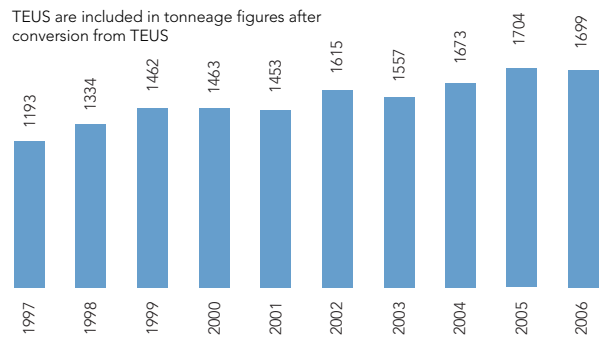
Port of London Total Traffic
million tonnes



Port of London Non-Fuel Traffic
million tonnes



Port of London Unitised Traffic
thousand teus



	Imports		Exports		Total	
	2006	2005	2006	2005	2006	2005
	million tonnes		million tonnes		million tonnes	
Oil, crude & products	15.9	17.1	2.4	2.2	18.3	19.3
Containers & trailers	10.5	10.1	4.0	4.5	14.5	14.6
Aggregates	7.7	7.9	0.0	0.0	7.7	7.9
Other cargo	4.1	4.1	1.0	0.9	5.1	5.0
Forest products	2.1	2.0	0.0	0.0	2.1	2.0
Coal	1.9	2.5	0.0	0.0	1.9	2.5
Metals & ores	0.7	0.7	1.0	0.8	1.7	1.5
Cereals	0.3	0.6	0.3	0.4	0.6	1.0
TOTAL	43.2	45.0	8.7	8.8	51.9	53.8

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

UNITISED TRAFFIC - (included in the above tonnage)	Imports		Exports		Total	
	000 twenty-foot equivalent units		000 twenty-foot equivalent units		000 twenty-foot equivalent units	
Ro/Ro terminals (trailers & containers)	624	583	332	386	956	969
Container terminals	375	365	368	370	743	735
Unitised Total (TEUS)	999	948	700	756	1,699	1,704

PROFIT & LOSS ACCOUNT

For the year ended 31 December 2006

	Note	2006 £000	2005 £000
Turnover including share of joint venture		41,187	40,761
Less: share of joint venture		584	597
PLA turnover	2	40,603	40,164
PLA operating expenditure	2		
Before exceptional items		40,900	37,494
Exceptional items	4	0	1,432
Total		40,900	38,926
PLA operating (loss)/profit	2	(297)	1,238
Share of operating profit of joint venture		124	194
Operating (loss)/profit including joint venture		(173)	1,432
Net interest	8	1,185	958
Other financial income	27	1,363	798
Profit on ordinary activities before taxation		2,375	3,188
Taxation	9	(586)	(1,037)
Profit for the year	22	1,789	2,151

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.

Statement of Total Recognised Gains and Losses (STRGL)

	Note	2006 £000	2005 £000
Profit for the financial year		1,789	2,151
Actuarial (loss)/gain on pension schemes	27	(7,979)	4,900
Movement in deferred tax relating to pension schemes		2,394	(1,470)
		(3,796)	5,581
Share of STRGL of Joint Venture		107	(110)
Total recognised (losses)/gains relating to the year		(3,689)	5,471

The PLA also has unrecognised gains of £1,786,000 for the year ended 31 December 2006 (2005 £445,000) in relation to two pension schemes which have irrecoverable surpluses (see note 27).

BALANCE SHEET

At 31 December 2006

	Note	2006 £000	2005 £000
Fixed assets			
Intangible assets	10	287	294
Tangible assets	11	25,482	24,111
Investments	12	0	25
Joint venture:-	13		
Share of gross assets		758	846
Share of gross liabilities		(249)	(294)
Share of pension deficit		(296)	(414)
		25,982	24,568
Current assets			
Stocks		210	246
Debtors	17	6,607	7,417
Investments		17,817	13,002
Cash and bank balances		7,400	12,410
		32,034	33,075
Current liabilities			
Creditors: amounts falling due within one year	18	7,632	6,208
Net current assets		24,402	26,867
Total assets less current liabilities		50,384	51,435
Creditors: amounts falling due after more than one year			
Loans	19	0	2,720
Other amounts	20	859	1,090
		859	3,810
Net assets excluding pension deficit		49,525	47,625
Pension deficit	27	(6,562)	(973)
Net assets including pension deficit		42,963	46,652
Reserves			
Profit and loss account	22	42,963	46,652

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 3 April 2007 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 2006

	Note	2006 £000	2005 £000
Net cash inflow from operating activities	23	5,030	6,649
Dividends received from joint venture		130	92
Returns on investment and servicing of finance			
Interest received		1,270	1,191
Interest paid		(96)	(172)
Interest paid on finance leases		(6)	(28)
Net cash inflow from returns on investments and servicing of finance		1,168	991
Taxation			
U.K. Corporation tax paid		(361)	(284)
		(361)	(284)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,798)	(2,162)
Sale of unsecured loan notes		25	0
Sale of tangible fixed assets		84	25
Net cash outflow from capital expenditure and financial investment		(3,689)	(2,137)
Net cash inflow before use of liquid resources and financing		2,278	5,311
Management of liquid resources			
Increase in short term investments		(4,815)	(116)
Net cash (outflow)/inflow before financing		(2,537)	5,195
Financing			
Bank loan principal repayments		(2,890)	(170)
Principal repayments under finance leases		(68)	(107)
Net cash outflow from financing		(2,958)	(277)
(Decrease)/Increase in cash in the year	25	(5,495)	4,918

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

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, 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, PLA's only trading subsidiary company. On these grounds Port of London Properties Limited has been excluded from consolidation which results in PLA not producing Group accounts although Port of London Properties Limited remains in the ownership of the PLA.

(c) 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.

(d) Intangible fixed assets

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

(e) 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.

(f) Fixed asset investments

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

NOTES TO THE ACCOUNTS

continued

(g) Stocks

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

(h) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred, which is provided in full under the incremental liability method because of timing differences between the treatment of certain items for taxation and for accounting purposes. Deferred tax assets are recognised to the extent they are regarded as recoverable.

(i) 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.

(j) Operating leases

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

(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 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

	2006 £000	2005 £000
Turnover		
Conservancy charges on cargo	7,155	7,303
Conservancy charges on vessels	6,859	6,712
	14,014	14,015
Pilotage	12,199	11,928
River works licences and other rents	5,084	4,810
Services provided	2,039	1,919
Moorings	427	434
Landfill royalties	1,675	2,287
Other revenue	5,165	4,771
	40,603	40,164
Operating expenditure		
Operating payroll	19,059	18,767
Supplies and services	12,957	12,202
Depreciation, amortisation and impairment	2,724	3,188
Administration: payroll	2,182	1,903
other	3,978	2,866
	40,900	38,926
Operating (loss)/profit	(297)	1,238

Operating profit is stated after exceptional items of £nil (2005 £1,432,000) as described in note 4.

3 PILOTAGE

	2006 £000	2005 £000
The profit and loss account includes the following relating to pilotage:-		
Turnover		
Providing pilotage services	12,157	11,890
Issue of pilotage exemption certificates	42	38
	12,199	11,928
Operating expenditure		
Providing the services of pilots	10,779	10,335
Providing, maintaining and operating pilot boats	583	524
Administration and other costs	968	1,002
Additional pension contributions (see notes 4 and 6)	0	899
	12,330	12,760

NOTES TO THE ACCOUNTS

continued

4 EXCEPTIONAL ITEMS

	2006 £000	2005 £000
Additional pension contributions	0	899
Impairment of fixed assets	0	533
	0	1,432

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

The Members reviewed the expected useful lives of tangible fixed assets and determined it necessary to recognise an impairment loss of £533,000 in 2005 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

	2006 £000	2005 £000
The operating profit before taxation is stated after accounting for the following:-		
Auditors' remuneration - audit	48	47
Auditors' remuneration - other	0	6
Operating lease rentals - land and buildings	446	497
- other	75	75
	521	572
Loss/(profit) on disposal of fixed assets	22	(19)
Depreciation - owned assets	2,672	2,547
- assets held under finance leases and hire purchase contracts	45	102
	2,717	2,649
Amortisation of intangible fixed assets	7	6
Exceptional items (see note 4)	0	1,432

Remuneration of the PLA's auditors for provision of taxation services to the PLA was £38,000 (2005 £57,000).

6 EMPLOYEES

	2006 £000	2005 £000
Staff costs (including Executive Board Members) during the year were:-		
Wages and salaries	15,775	15,130
Social security costs	1,518	1,458
Pensions costs - normal	3,729	3,150
Pensions costs - exceptional (see below)	0	899
	21,022	20,637
Staff severance	196	15
	21,218	20,652

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).

	2006 Number	2005 Number
The average monthly number of persons (including Executive Board Members) employed during the year was:-	354	353

NOTES TO THE ACCOUNTS

continued

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	
	2006 £	2005 £	2006 £	2005 £	2006 £	2005 £
Executive Members:-						
R L Everitt (highest paid Board member 2006)	133,720*	130,000	1,969	1,857	135,689	131,857
B Chapman	96,844*	91,840	1,969	1,857	98,813	93,697
A B Richardson (retired 31.12.06)	98,844*	94,933	1,575	1,486	100,419	96,419
Non-Executive Members:-						
S P Sherrard (Chairman)	74,120	72,170			74,120	72,170
R D Clegg (retired 31.12.06)	32,875	32,040			32,875	32,040
P M Castle (retired 31.12.05)	0	22,090			0	22,090
J A G Kennedy	23,836	22,090			23,836	22,090
A A Knight	23,835	22,090			23,835	22,090
P J Mole	21,000	19,330			21,000	19,330
J W Beech	21,000	19,330			21,000	19,330
P J Matthews (appointed 01.03.06)	17,500	0			17,500	0
P K Sarwal (appointed 01.06.06)	12,250	0			12,250	0
	555,824	525,913	5,513	5,200	561,337	531,113

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 2006 was £3,466 per annum (2005 £1,611).

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 (2005 £10,000)
B Chapman	£8,844 (2005 £8,844)
A B Richardson	£8,844 (2005 £8,844)

8 NET INTEREST

	2006 £000	2005 £000
Interest receivable:-		
Other interest receivable	1,285	1,141
Less interest payable:-		
Loans	(97)	(172)
Finance leases	(6)	(8)
	1,182	961
Share of joint venture interest:-		
Payable	(5)	(9)
Receivable	8	6
	1,185	958

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
a. Analysis of charge for the year:-		
Corporation tax at 30% (Note 9b)	385	342
Adjustment in respect of prior years	12	(3)
Deferred tax (Note 16)	214	662
Adjustment in respect of prior years	(48)	0
Share of joint venture tax		
Corporation tax at 19% (2005 19%)	23	26
Deferred tax	0	10
	586	1,037
b. Factors affecting tax charge for the year:-		
Profit on ordinary activities before taxation	2,375	3,188
Corporation tax thereon at 30% (2005 30%)	712	956
Effects of:		
Share of profit of joint venture	(36)	(57)
Disallowable expenditure	102	154
Accelerated capital allowances	92	204
Utilisation of prior years losses	(304)	(844)
Capital proceeds	(144)	(86)
Pension contribution relief in excess of net pension cost charge	2	3
Prior year adjustment	12	(3)
Other timing differences	(39)	12
Corporation tax charge for the year (Note 9a)	397	339

NOTES TO THE ACCOUNTS

continued

10 FIXED ASSETS - INTANGIBLE ASSETS

	Licences £000
Cost	
At 1 January 2006	330
Additions	0
At 31 December 2006	330
Amortisation	
At 1 January 2006	36
Charge for year	7
At 31 December 2006	43
Net book value at 31 December 2006	287
Net book value at 31 December 2005	294

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 2006	9,613	3,657	9,975	7,397	12,831	43,473
Additions	1,854	150	1	365	1,824	4,194
Disposals	(114)	0	(28)	(351)	(127)	(620)
At 31 December 2006	11,353	3,807	9,948	7,411	14,528	47,047
Depreciation						
At 1 January 2006	2,922	2,585	2,424	4,283	7,148	19,362
Charge for year	281	114	620	366	1,336	2,717
Eliminated on disposals	(67)	0	(28)	(293)	(126)	(514)
At 31 December 2006	3,136	2,699	3,016	4,356	8,358	21,565
Net book value at 31 December 2006	8,217	1,108	6,932	3,055	6,170	25,482
Net book value at 31 December 2005	6,691	1,072	7,551	3,114	5,683	24,111
Net book value of leasehold property held under long leases included above is:-	61					
Net book value of assets held under finance leases and hire purchase contracts included above is:-				274		

12 INVESTMENTS

	2006 £000	2005 £000
Holding at 1 January	25	25
Repaid during year	(25)	0
Holding at 31 December	0	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 was payable at 1% above the Bank of England repo (base) rate every six months. The loan notes were redeemed in full on 28 February 2006.

13 FIXED ASSETS - JOINT VENTURE INVESTMENT IN ESTUARY SERVICES LIMITED

	Shares £000	Retained Profit £000	Total £000
At 1 January 2006	2	136	138
Share of loss for year		(32)	(32)
Actuarial gain on pension scheme		107	107
At 31 December 2006	2	211	213

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 £104,000 (2005 £81,000) and was charged £1,432,000 (2005 £1,362,000) for the boarding and landing service for pilots.

NOTES TO THE ACCOUNTS

continued

14 CAPITAL COMMITMENTS

	2006 £000	2005 £000
Capital expenditure which has been contracted for but which has not been provided for in the accounts	141	290

15 FINANCIAL COMMITMENTS

	2006			2005		
	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	262	31	293	463	40	503
In the second to fifth year inclusive	114	51	165	0	56	56
Over five years	15	0	15	18	0	18
	391	82	473	481	96	577

16 DEFERRED TAX

	2006 £000	2005 £000
Balance at 1 January	1,375	3,507
Charged in the profit and loss account for the year (Note 9a)	(166)	(662)
Charged to the STRGL	2,394	(1,470)
Balance at 31 December	3,603	1,375
Deferred tax comprises:-		
Accelerated capital allowances	(776)	(900)
Unrelieved trading losses carried forward	1,323	1,846
Other timing differences	243	12
Deferred tax excluding that relating to pension deficit	790	958
Pension deficit	2,813	417
Total deferred tax	3,603	1,375

Of the total deferred tax asset of £3,603k (2005 £1,375k), £2,813k (2005 £417k) has been deducted in arriving at the net pension liability on the balance sheet.

17 CURRENT ASSETS - DEBTORS

	2006 £000	2005 £000
Amounts falling due within one year:-		
Trade debtors	4,641	5,228
Deferred tax (note 16)	790	958
Other debtors	442	417
Prepayments and accrued income	734	814
	6,607	7,417

18 CURRENT LIABILITIES - CREDITORS

	2006 £000	2005 £000
Amounts falling due within one year:-		
Bank overdraft	829	344
Trade creditors	2,449	1,735
Amounts owed to joint venture company	119	119
Other taxation and social security	721	783
Corporation tax	202	166
Current instalments on finance leases and hire purchase contracts	37	68
Current instalments on loans	0	170
Other creditors	2,511	2,055
Accruals and deferred income	764	768
	7,632	6,208

19 CREDITORS - LOANS

	2006 £000	2005 £000
Amounts falling due after more than one year:-		
Repayable in years 2 - 5	0	680
Repayable after 5 years	0	2,040
	0	2,720

In 2003 PLA entered into a bank loan for £3.4m to finance the development of Denton Wharf. The loan was repayable in ten instalments of £170,000 commencing 31 December 2003, with a final payment of £1.7m on 31 December 2012. The loan was secured on the Denton Wharf property and interest was payable annually on 31 December at a rate based on the Bank of England base rate plus a margin of 0.97%. The loan was repaid in full on 16 June 2006.

NOTES TO THE ACCOUNTS

continued

20 CREDITORS - OTHER AMOUNTS

	2006 £000	2005 £000
Amounts falling due after more than one year:-		
Obligations under finance leases and hire purchase contracts		
Repayable in years 2 - 5	3	39
Repayable after 5 years	5	6
Deferred Income		
Repayable in years 2 - 5	56	56
Repayable after 5 years	255	270
Other creditors	540	719
	859	1,090

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	
	2006 £000	2005 £000
At 1 January	46,652	41,181
Actuarial (loss)/gain on pension schemes	(7,979)	4,900
Movement on deferred tax relating to pension schemes	2,394	(1,470)
Share of actuarial gain/(loss) on joint venture defined benefit pension scheme	107	(110)
Profit for year	1,789	2,151
At 31 December	42,963	46,652

23 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £000	2005 £000
Operating (loss)/profit per profit and loss account	(173)	1,347
Less: Share of operating profit of joint venture	(124)	(109)
PLA operating (loss)/profit	(297)	1,238
Depreciation of tangible fixed assets	2,717	2,649
Impairment loss (see note 4)	0	533
Amortisation of intangible fixed assets	7	6
Loss/(profit) on disposal of fixed assets	22	(19)
Decrease in stocks	36	21
Decrease/(increase) in trade debtors	721	(506)
Increase in other debtors	(25)	(73)
Decrease/(increase) in prepayments and accrued income	99	(220)
Increase in trade creditors	184	59
Increase in amount owed to joint venture company	0	24
(Decrease)/increase in other taxation and social security creditors	(62)	113
Increase in other creditors	456	717
(Decrease)/increase in creditors due in more than one year	(179)	719
(Decrease)/increase in accruals and deferred income	(24)	578
Increase/(decrease) in administration expense reserve	2	(90)
Difference between current service cost and cash contributions	1,373	900
Total net cash inflow from operating activities	5,030	6,649

24 RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET FUNDS

	2006 £000	2005 £000
(Decrease)/increase in cash	(5,495)	4,918
Cash outflow from net increase in liquid resources	4,815	116
Cash outflow from repayment of loans	2,890	170
Cash outflow from decrease in obligations under finance leases and hire purchase contracts	68	107
Change in net funds resulting from cash flows	2,278	5,311
Change in net funds resulting from other changes	0	20
Net funds at 1 January	22,065	16,734
Net funds at 31 December	24,343	22,065

NOTES TO THE ACCOUNTS

continued

25 ANALYSIS OF CHANGE IN NET FUNDS

	At 1 January 2006 £000	Cash flows £000	Other changes £000	At 31 December 2006 £000
Cash and bank balances including overdrafts	12,066	(5,495)	0	6,571
Current asset investments - short term deposits	13,002	4,815	0	17,817
Total liquid resources	25,068	(680)	0	24,388
Debt due within 1 year:-				
Loans	(170)	170		0
Obligations under finance leases	(68)	68	(37)	(37)
Debt due after 1 year:-				
Loans	(2,720)	2,720		0
Obligations under finance leases	(45)	0	37	(8)
Net funds	22,065	2,278	0	24,343

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

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 6 February 2007, comprised:-

CHAIRMAN: P J Matthews

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

At the date of the latest actuarial valuation the market value of the assets of the PLAPF was £284.6 million which represented just over 99% of the value of the benefits that had accrued to members on the basis of the assumptions summarised above. Following discussions with the Committee of Management, it was agreed that the employer would increase its contribution from 20.3% to 23.25% of pensionable salaries with effect from 1 April 2007.

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 2006. 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 2006. The financial assumptions adopted for assessing the schemes' liabilities as at 31 December 2006 were as follows:-

	2006 % pa	All schemes 2005 % pa	2004 % pa
Price inflation	3.00	2.80	2.80
General payroll cost inflation	3.50	4.80	4.80
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	3.00	2.80	2.80
Discount rate	5.20	4.80	5.30

NOTES TO THE ACCOUNTS

continued

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

	At 31 Dec 2006		At 31 Dec 2005		At 31 Dec 2004	
	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	70.2	7.8	60.6	8.0	57.1
Corporate bonds	5.2	76.1	4.8	224.2	5.3	213.6
Fixed interest and index linked gilts	4.6 / 4.4	163.0	4.1	34.1	4.6	24.0
Cash and other assets	4.0	4.7	3.6	0.9	3.6	3.7
		314.0		319.8		298.4

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

	PLAPF £000	PLARBS £000	PLAWWOPF £000	MLRWPS £000	Total £000
At 31 December 2006					
Fair value of scheme assets	278,458	5,884	29,633	na	313,975
Actuarial value of scheme liabilities	287,467*	6,250	20,258*	na	313,975
(Deficit)/surplus in the schemes	(9,009)	(366)	9,375	na	0
Irrecoverable surplus	0	0	9,375	na	9,375
Pension liability recognised in balance sheet before allowance for deferred tax	(9,009)	(366)	0	na	(9,375)
Related deferred tax	2,703	110	0	na	2,813
Net pension liability	(6,306)	(256)	0	na	(6,562)
At 31 December 2005					
Fair value of scheme assets	284,100	6,500	29,200	na	319,800
Actuarial value of scheme liabilities	285,490*	6,463	21,648*	na	313,601
(Deficit)/surplus in the schemes	(1,390)	37	7,552	na	6,199
Irrecoverable surplus	0	37	7,552	na	7,589
Pension liability recognised in balance sheet before allowance for deferred tax	(1,390)	0	0	na	(1,390)
Related deferred tax	417	0	0	na	417
Net pension liability	(973)	0	0	na	(973)
At 31 December 2004					
Fair value of scheme assets	265,100	6,600	26,400	300	298,400
Actuarial value of scheme liabilities	271,380*	6,600	19,256*	300	297,536
(Deficit)/surplus in the schemes	(6,280)	0	7,144	0	864
Irrecoverable surplus	0	0	7,144	0	7,144
Pension liability recognised in balance sheet before allowance for deferred tax	(6,280)	0	0	0	(6,280)
Related deferred tax	1,884	0	0	0	1,884
Net pension liability	(4,396)	0	0	0	(4,396)

* 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.

	2006 £000	2005 £000	2004 £000
PLAPF	1,292	1,290	1,380
PLAWWOPF (unrecognised due to irrecoverable surplus on scheme)	349	348	372
	1,641	1,638	1,752

Analysis of the amounts charged to operating profit in respect of the defined benefit scheme.

	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000	2005 £000
Release of administration expense reserve	2	0	0	2	(90)
Current service cost	3,694	0	0	3,694	3,100
Total service cost	3,696	0	0	3,696	3,010

Analysis of other financial income

	PLAPF £000	PLARBS £000	PLAWWOPF £000	Total £000	2005 £000
Interest on pension scheme liabilities	13,285	296	1,003	14,584	15,200
Expected return on assets in the pension scheme	14,679	271	1,003*	15,953	16,000
Other financial income attributable to the PLA	1,394	(25)	0	1,369	800
Share of other financial costs in joint venture				(6)	(2)
Total other financial income				1,363	798

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

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses

	Year ended 31 Dec 2006 £000	Year ended 31 Dec 2005 £000
Actual return less expected return on pension scheme assets	(3,917)	21,200
Experience gains/(losses) arising on the scheme liabilities	3,129	1,000
Utilisation of previous year irrecoverable surplus	37	0
Changes in assumptions underlying the present value of the scheme liabilities	(7,228)	(17,300)
Actuarial (loss)/gain recognised in STRGL before adjustment for tax	(7,979)	4,900

NOTES TO THE ACCOUNTS

continued

Movement in schemes' net surplus during the year

	2006 £000	2005 £000
Combined deficit in schemes at beginning of year	(1,390)	(6,280)
Movements in year to 31 December:-		
Service cost	(3,696)	(3,010)
Employer contributions	2,321	2,200
Other finance income	1,369	800
Actuarial (loss)/gain	(7,979)	4,900
Combined deficit in schemes at end of year	(9,375)	(1,390)

History of experience gains and losses

Year ended:	31 Dec 06		31 Dec 05		31 Dec 04	
	%	£m	%	£m	%	£m
a. Actual return less expected return on schemes' assets						
Amount		(3.9)		21.2		1.2
% of schemes' assets at end of year	1.3		6.6		0.4	
b. Experience gain/(loss) on scheme liabilities						
Amount		3.1		1.0		(0.3)
% of the present value of the schemes' liabilities	1.0		0.3		0.1	
c. Total actuarial gain/(loss) recognised in STRGL						
Amount		(8.0)		4.9		(1.3)
% of the present value of the schemes' liabilities	2.7		1.6		0.4	

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.

So far as the members are aware, there is no relevant information of which the Authority's auditors are unaware. The members have taken all steps (such as making enquiries of other members and the auditors and any other steps required by the member's duty to exercise due care, skill and diligence), that they ought to have taken in their duty as a member in order to make themselves aware of any relevant audit information and to establish that the Authority's auditors are aware of that information.

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 2006 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 2006 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.
- are consistent with the information given in the Report of the Board and the Chairman's statement.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Gatwick

3 April 2007

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