coventgarden
market authority

59th Report & Accounts 2019/2020

Covent Garden Market Authority

Report and Accounts for the accounting period from 1 April 2019 to 31 March 2020

Presented to Parliament pursuant to Section 46 of the Covent Garden Market Act, 1961

Covent Garden Market Authority
Food Exchange
New Covent Garden Market
London
SW8 5EL

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The Report & Accounts

Appendices

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About Covent Garden Market Authority

Covent Garden Market Authority (CGMA) (the Authority) owns and runs New Covent Garden Market (NCGM) (the Market) and is accountable to the Department of Environment, Food and Rural Affairs (Defra). Its income comes from the rents and service charges charged for leasing trading and office space.

£5.1m
Rental income

34 staff
employed by CGMA

What we do

CGMA lets and manages the space at NCGM and derives its income from the rents. Services provided include:

- Maintenance of buildings, plant and equipment
- Cleaning and waste management
- Energy supply
- Site security
- Traffic control
- Business development and support.

New Covent Garden Market

CGMA in partnership with VINCI St. Modwen (VSM) is rebuilding New Covent Garden Market (NCGM). This is a long-term project that will see brand new Market buildings and facilities and keep NCGM feeding and flowering London for generations to come.

The redevelopment of NCGM will provide modern facilities for the 175 small and medium sized companies based here and the 2,500 people they employ. The NCGM site forms part of a wider transformation of Nine Elms which is creating an exciting residential and business district.

NCGM is one of Nine Elms' three icons alongside Battersea Power Station and the new American Embassy. The redevelopment of the site is creating a new Food Quarter for London, giving the general public the opportunity to explore the best of fresh produce available at NCGM.

Surplus land is being sold from the original 57 acre site and used in order to facilitate a new high quality residential-led mixed-use scheme which will be delivered by a range of developers, made up of 1,104 new homes, including 506 affordable homes, 10,000 sq ft of offices and 65,000 sq ft of retail, leisure and new community facilities, including shops, cafés and restaurants.

The ten-year multi-phase programme will provide some 2,000 further jobs from the commercial and construction elements. It will also contribute to the cost of the Northern Line Extension and the new station at Nine Elms. The extension of the Northern Line and the opening of two new tube stations will mean the majority of people living and working in the area will be within five minutes' walk of a tube station.

During the year ended 31 March 2020 the redevelopment project yielded the following milestones:

- The Security Lodge was completed on time in June 2019. The Security Lodge is a state of the art facility that gives the CGMA security team CCTV coverage of NCGM, as well as welfare facilities for the CGMA operations and security team who moved from Link House in July 2019. Link House was subsequently fully stripped-out internally including the removal of asbestos containing materials. In early 2021 Link House will be used by VSM and its main contractor Vinci Construction as site offices and welfare facilities for the construction staff whilst the NCGM redevelopment is completed.
- The first phase of the permanent Fruit & Vegetable Market units consisting of 69,000 sq ft of food grade Market premises were completed on time in November 2019. These units will be home to 18 tenants when fully occupied. Tenants began moving from the existing estate in January 2021 and CGMA is currently working closely with the tenants to ensure a successful and smooth transition into the new units.
- Preparation for demolition works has been undertaken, including strip out of the old units and ground investigations. As tenants move into the new units, beginning in January 2021, parts of the old Market will begin to be demolished in preparation for the next phase of construction.
- The West Link Bridge was fully demolished in the year which, although proving logistically challenging, was completed with minimal disruption to tenants' businesses in the vicinity of the bridge.

More information is available at **www.newcoventgardenmarket.com**

Highlights

Covent Garden Market Authority's Performance

Revenue from normal trading activity was £16.4m, down from £16.6m in 2018/19. The decrease being largely attributable to a reduction in recoveries from tenants partially offset by an increase in miscellaneous receipts compared to the prior year.

Rental income from tenants increased from £5.0m to £5.1m, with the number of core trading tenants across the Fruit & Vegetable and Flower Markets, and the Food Exchange building remaining fairly constant.

CGMA's Key Performance Indicators

Occupancy Rate: Total Trading Area

Occupancy of core trading space remains consistent at 92%.

- Fruit & Vegetable Market dropped to 92% as at 31 March 2020, from 93% in 2018/19
- Flower Market continued to be 100% let
- Food Exchange building was 95% let as at the year end, increasing from 78% in the prior year.

General Service Charge (GSC): £ per sq ft

The GSC for the year was £16.30 per sq ft, after a rebate of £2.48 from the initial expectation of £18.78 per sq ft. This compared to £16.02 for the previous year. The GSC area has decreased from 473k to 458k sq ft as a result of handing over units to VSM for redevelopment, resulting in an overall decrease in the income receivable.

Key Events

The financial year ended 31 March 2020 saw the completion of construction activity on the first phase of the new Fruit & Vegetable Market buildings being brought forward as part of the redevelopment project.

The Food Exchange asset consisting of office studio space continues to mature well since its inception in early 2018 and is fast becoming an important centre for entrepreneurial businesses, most of whom operate food-related business models. This reputation will be further enhanced during the first part of 2021 when the shared production kitchen space on the first floor of the building is scheduled to be opened by Mission Kitchen. The capital expenditure to fund the fit-out of this space is being funded by a £3.0m grant from the Mayor's Good Growth Fund for London.

Covid-19 hit the hospitality businesses hard, with our traders who supply the industry reporting levels of trade dropping by as much as 90 per cent. It was clear by year end that tenants would need additional support and we made the decision to allow a one-month postponement in payment of rent falling due in April 2020.

Please refer to Note 25 for our Covid-19 response in more detail.


ARNOTT MASON

Executive Chair's Statement

David Frankish, Executive Chair

I'm confident that 2019/20 will be remembered as a pivotal year in the history of New Covent Garden Market.

This time last year I commented on the quality of the produce that is traded here and how the passion and pride that the Market's traders have for their businesses, and indeed for the Market in general, is a constant theme which is clear for all to see. I also remarked that the redevelopment project is fundamental to ensuring our traders can enhance their businesses over the long term in a rapidly changing economy.

All of those things definitely remain true. However, some of our traders had felt for some time that the design of the redeveloped trading space and the support they were receiving did not measure up to their business needs. The strength of feeling was such that it led to legal proceedings being initiated by tenants against CGMA in support of their arguments, again demonstrating their undoubted passion for the Market.

The Board of CGMA has listened and we have worked with our trading community to negotiate a positive resolution to those legal proceedings. This will see important changes being made to the design of the redeveloped Market as well as to the help offered to traders to further assist them relocate to their new premises.

Importantly we have also secured a grant from Defra that underpins our funding needs for the foreseeable future.

All parties, CGMA, tenants and developer, can now look to the successful completion of the redevelopment with confidence, knowing it will provide the necessary infrastructure to support vibrant businesses as part of an iconic commercial location that is central to supplying London with fresh produce of the very highest quality.

The year to 31 March 2020 also saw the successful completion of the first phase of the new Fruit & Vegetable Market and tenants commenced trading from that space in January 2021.

Since joining I've visited regularly the evocative trading floor that is our Flower Market and am always impressed by the scents and eye-catching displays of colourful flowers, foliage, plants and sundries. Most recently I have been enjoying the early morning live Instagram videos from the Market showcasing the incredible array of what is on offer while also introducing the viewers to people who work in and buy from the Flower Market.

The Food Exchange building completed in 2018 continues to develop its purpose as an important asset for Wandsworth, housing as it does, a diverse community of businesses all connected in some way to food. During 2021 this community will gain from the opening by Mission Kitchen of London's largest shared kitchen; offering flexible rental space benefitting a wide range of small to medium sized food businesses, financed through a £3.0m grant from the Mayor's Good Growth Fund for London.

A key highlight in our community activity this year was the artwork installed on the Nine Elms Lane façade of the Flower Market as part of our annual Vitrine Art Commission. The bold and colourful artwork is called 'Bloom!' and is by the talented south-east London based BLKbrd Collective. Chosen from more than 230 entries, 'Bloom!' is a celebratory mural of the Market and its integral workers, highlighting the importance of the fruit, vegetable and floral industries in London.

On a more reflective note, the Board of CGMA felt that as we entered FY21, the time was right to implement a restructuring with a view to securing a flatter, leaner and more agile organisation that is also more responsive and better able to meet the challenges of a fast-evolving business environment, with a capacity and capability to thrive. For an interim period, I have assumed the role of Executive Chair to assist in bedding-in the new culture. I would like to take this opportunity to formally thank all members of staff whose understanding, co-operation and hard work has been essential in delivering the required outcomes.

And finally, it's not possible to comment on recent events without reference to the Coronavirus pandemic that has affected people's lives across the world. New Covent Garden Market is exposed to the dislocation of supply chains, as many of our traders are key suppliers to the hospitality and events sectors that have been so negatively impacted by the measures aimed at controlling the pandemic. These are without doubt very difficult times for the Market, but once again I have been reassured by the resourcefulness and resilience exhibited by all involved. I wish everyone the very best as we look forward to working together and securing a future every bit as successful as our illustrious past.

David Frost

Governance Statement

Authority Board Members' Responsibilities

As required by the Covent Garden Market Acts 1961-1977 and company law, the Authority Board Members prepare financial statements for the financial year which must give a true and fair view of the state of affairs of the Authority as stated at the end of the year and of the profit or loss for the trading year.

In preparing these financial statements, the Authority Board Members have adopted suitable accounting policies and have applied them consistently, made judgements and estimates that are reasonable and prudent, have prepared them on a going concern basis and in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and have complied with the directions of the Covent Garden Market Acts and the Secretary of State for Environment, Food and Rural Affairs.

The Authority Board Members are responsible for ensuring that adequate accounting records are maintained which disclose, with reasonable accuracy at any time, the financial position of the Authority, and enable them to ensure that the published financial statements comply with the requirements of the Covent Garden Market Act 1961.

In addition, the Authority Board Members are responsible for safeguarding the assets of the Authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Authority's Board is satisfied that appropriate control systems are in place within the Authority's management to achieve these ends.

Regular reports of financial performance against budget are received from management by the Authority's Board.

The Authority Board Members agree strategic objectives and approve policies for the organisation and monitor the performance of executive management. As part of this role they ensure that the Authority has appropriate policies in place relating to risk management, health and safety and corporate governance. They also ensure that adequate succession planning and remuneration arrangements are in place.

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

Responsibilities

As Executive Chair I am personally responsible for giving assurance to Defra's Principal Accounting Officer for safeguarding the public funds and assets for which she has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those funds; and for the day to day operations and management of CGMA as a Public Corporation. In accordance with paragraph 3.1.2 of the Government guidance document 'Managing Public Money' concerning how to handle public funds, the duties and standards of delivery normally associated with an Accounting Officer rest with me in my role as Executive Chair.

In order to discharge this responsibility, I ensure that CGMA maintains a sound system of risk management, governance, decision-making, financial management and internal control that supports the achievement of the Authority's policies, aims and objectives and that are set out in the relevant Government guidance. The relationship between the Authority and its sponsoring department, Defra, is set out in a Framework Document signed by both parties on 15 December 2020 and published on 18 January 2021.

In managing the affairs of the Authority, Members of the Authority have adopted a Code of Practice in regard to their behaviour. The Code adopted is that recommended by Government for use by members of non-departmental public bodies and covers public service values, standards in public life, the role of Board Members, the role of the Chair, handling conflicts of interest, the personal liability of Board Members and the seven principles of public life.

The Authority's Board

CGMA is governed by a Board comprising a Chairperson (currently an Executive Chair - see 'Post Balance Sheet Events' on page 20) and a maximum of seven other Non-Executive Members, appointed by the Secretary of State for Environment, Food and Rural Affairs. One of these Members is nominated by the Secretary of State for Transport. Their appointment is usually fixed for a period of between two and four years and their remuneration is set by the Secretary of State. Subject to performance, the Secretary of State may decide to reappoint Board Members without competitive selection. However, the Ministerial Governance Code on Public Appointments specifies that: 'there is a strong presumption that no individual should serve more than two terms or serve in any one post for more than ten years. In exceptional cases, Ministers may decide an individual's skills and expertise are needed beyond such a tenure'. The appointments are intended to ensure a balance of skills and experience relevant to the various sectors of the business.

The Board meets at least bi-monthly and receives reports from the management on key aspects of the Authority's business. It brings an independent judgement to its oversight of the direction, strategy and corporate objectives of Covent Garden Market Authority. There is an annual assessment of the Board's performance and effectiveness.

A register of Members' declared interests is maintained at the Authority's offices and is available for inspection on application in writing to the Executive Chair.

	Board	Audit & Risk	Remuneration
Total number of meetings	**11**	**4**	**2**
David Frankish	11/11	-	2/2
Bill Edgerley (left 31.05.2019)	3/3	-	1/1
John Lelliott	11/11	4/4	2/2
Sir Edward Lister (left 09.08.2019)	2/3	-	-
Archie Robertson	10/11	4/4	-
Sara Turnbull	9/11	4/4	-
Teresa Wickham	11/11	-	1/1
Victoria Wilson (joined 12.12.2019)	4/4	-	-

Audit & Risk Committee

The Audit & Risk Committee comprises three Members of the Board. Membership at the year end consisted of John Lelliott (Chair), Archie Robertson and Sara Turnbull. Members of the Executive attend meetings as well as other appropriate Members of the Authority. The Committee met four times during the year 2019/20. The Chair of the Committee provides a regular report to the Board concerning internal controls and risk management policies and procedures after each meeting.

The Committee is required to review internal accounting and financial procedures and ensure that these are satisfactory and to receive reports on the internal and external audit of the Authority's affairs. Both the internal and external auditors attend relevant Committee meetings, providing reports to the Committee on audit strategy, findings and recommendations.

The risk management matters that the Committee considers include both corporate and project related risk registers maintained by the Authority, internal and external health and safety reports, fraud and whistleblowing matters.

Remuneration Committee

The Remuneration Committee comprises three Members of the Board. Membership at the year end consisted of John Lelliott (Chair), Victoria Wilson and Theresa Wickham.

The Committee sets the remuneration policy for the Senior Management Team and recommends and monitors the level and structure of remuneration for all staff.

Redevelopment Project

During 2019/20 work has continued on building the new Market. In line with the Development Agreement, a Development Review Group meets monthly. This includes representatives from VSM and CGMA. In addition, there are regular site meetings covering different aspects of the redevelopment on either a weekly or monthly basis.

The Authority as a Going Concern

The Authority's Board is required to give an opinion as to whether there is a reasonable expectation that adequate resources exist for the Authority to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of signing of the audit report. Any such view must take account of the need for substantial investment in the Market's facilities, and the risks identified in the section 'Principal Risks and Uncertainties' on pages 15 to 16.

Since 11 March 2020, Covid-19 has had a significant impact on the global economy, especially the hospitality sector and Government restrictions have significantly affected the NCGM's tenants and therefore income levels and cash receipts for the Authority. The impact of Government restrictions has become progressively clearer since the first National Lockdown period started on 23 March 2020, to the point where it was possible to calculate the likely extent of the shortfall in the Authority's revenues. To mitigate the dramatic impact on the Authority's cash flow arising from the Covid-19 restrictions, financial support was sought from Defra and £5.019m was obtained in 2020/21. It should be noted that a key reason why Defra considered itself able to support the Authority in this way was due to the Authority's status as a public corporation, which means that other forms of Covid-19 support are not available to it. Further working capital support has also been made available to draw down by Defra in relation to lost income as a result of the tenant settlement. Although the position is more certain now than during 2020, the ultimate impact of Covid-19 on the Authority and its tenants, together with the potential for a recession, remains unquantifiable at this stage, particularly in relation to future income collection and occupancy levels, and as such whether the committed support will be sufficient to meet cash flow requirements.

In addition, the Authority has significant liabilities to meet under the tenant settlement in relation to capital expenditure. Written confirmation has been received from Defra regarding the quantum of their financial support for the tenant settlement, the intention for its use and the timing of receipt. However, the Authority has identified that approximately £4.0 - £6.0m of additional support is required in 2021/22 with corresponding reductions in later years. Management will engage with Defra to consider what flexibility is available in the timing of drawdown of funding, however as there is nothing confirmed in writing there remains uncertainty over whether the support will be provided at the timing required.

The above two factors lead to the existence of a material uncertainty which may cast significant doubt about the Authority's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Authority were unable to continue as a going concern.

The Board has undertaken a rigorous process in respect of going concern. In forming a view, the Board had regard to the following:

- The commercial agreement with VSM and subsequent amendment to the Development Agreement, which was completed on 14 October 2020 and provided for:
  - a postponement of vacant possession deadlines in the Master Programme and
  - appropriate measures to control costs of amendments to the development programme going forward
- The fact that vacant possession of phase 1 was subsequently achieved on schedule, by 18 January 2021

- The contractual arrangements with VSM and their ability to complete the works. The contract with VSM provides the Authority with various forms of protection to mitigate the risk that VSM fail to fulfil their obligations to complete the redevelopment. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights
- The agreement with the tenants to settle the litigation relating to the redevelopment of NCGM, which was completed on 26 November 2020 and enabled the development to proceed subject to agreed changes
- Projected cash flows and associated forecast financial statements taken from the updated projections in the Long-Term Business Plan, which covers the remaining period of the redevelopment to 2027 and extends further out to the end of the 2030/31 financial year
- The requirement for the continued existence of the Authority as a public corporation pursuant to the Covent Garden Market Acts, and the fact that the Authority's statutory duties are, for financial purposes, confined to:
  - breaking even, taking one year with the next and
  - building up a surplus for reinvestment for the benefit of the Market
- The impact of the confirmed external financial support for CGMA forthcoming from Defra in relation to the settlement of the tenant litigation and the impact of the Coronavirus pandemic, in accordance with the funding approval letter issued to the Board of CGMA and dated 12 August 2020.

The assessment shows that provided there is flexibility in the timing of receipt of committed financial support from Defra and the impact of Covid-19 remains within the modelled scenarios, the Authority remains a going concern.

The Board of the Authority is therefore of the opinion that the Authority has adequate resources to continue in operational existence for the foreseeable future.

The System of Internal Control

The system of internal control is designed to manage to a reasonable level, rather than eliminate, all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2020 and up to the date of approval of the Report & Accounts, and accords with HM Treasury guidance.

The Authority's internal auditors operate in accordance with recognised internal auditing standards. They submit regular reports which include an independent opinion on the adequacy and effectiveness of the Authority's system of internal control in respect of the areas covered by that review, together with recommendations for improvement.

Risk Management

The risk management process within the Authority consists of the identification of risks facing the various sectors of the Authority's business, their classification in terms of likely occurrence and consequences. Priority is given to mitigating the highest risks.

The Executive team reviews risks on a regular basis both at an operational and strategic level. The principal risks and uncertainties facing the Authority are reviewed at each Audit & Risk Committee meeting and reports are made to the CGMA Board.

Principal Risks and Uncertainties

The Authority considers that the principal risks and uncertainties facing its business and strategy are:

Risk	Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
Impact of development on tenants The ongoing construction of the new Market may adversely affect the ability of the tenants to continue to trade unhindered.	The Development Agreement provides various protection measures and commitments that ensure the tenants have the right to business continuity during the period of the development. In line with the terms of the tenant settlement agreement - please see Note 25 Events after the reporting period - the design of the redeveloped space has been altered to better suit tenant requirements.	↔	↓
Tenant litigation This comprised a claim on behalf of a group of tenants for breach of the leases said to arise from the ongoing development (issued in September 2018), and a defence to CGMA's claims to terminate the relevant tenants' leases in accordance with the Landlord and Tenant Act 1954 (issued in July 2019). The tenants then amended their original claim in October 2019 to plead procedural/public law defects associated with the decision to redevelop on which CGMA's lease termination claims were based.	An agreement has been entered into with the tenants in full and final settlement of the litigation - please see Note 25 Events after the reporting period.	↓	↓
Reputation and confidence There is a risk to CGMA's reputation and the tenants' and other stakeholders' confidence in them as landlord should the project not be delivered to the agreed plan or if the quality of execution affects the Market operation.	CGMA improved the co-operative working relationship with VSM such that any issues would be addressed effectively and in a timely way, whilst ensuring appropriate control of pricing in respect of any changes to programme or specification. An amendment to the Development Agreement has been agreed that will deliver these objectives. See more detail in Note 25 Events after the reporting period.	↓	↓
Terrorism or security impact An external event could severely impact either the operation of the Market or the progress of the development.	CGMA maintains regular dialogue with neighbours and relevant authorities. Regular review of business continuity plans and scenario incident exercises also takes place.	↔	↔
Development partner problems Should VSM experience problems which would result in it not being able to complete the development, then the Market could be left in a position of incomplete buildings.	There are a number of protections within the Development Agreement, should VSM experience problems. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights. CGMA had regard to these protections in the context of discussions to resolve the development partner dispute, as to which please see below.	↔	↔
Development partner dispute A dispute arose as to who was liable for costs arising from delays to the Master Programme, which had to be extended from 377 weeks to 544 weeks.	An amendment to the Development Agreement was agreed that postponed vacant possession deadlines in the Master Programme. It also ensured appropriate control of pricing in respect of any changes to the programme or specification. Please see Note 25 Events after the reporting period - for further details.	↓	↓
Vacant possession The delivery of vacant possession so that works can start on site on time and the surplus land be released as intended.	The risk to vacant possession has been addressed by an amendment to the Development Agreement that has been agreed with VSM, providing for postponement of vacant possession deadlines in the Master Programme, and a settlement agreement that has been entered into with the tenants. See Note 25 Events after the reporting period, for more detail. Phase 1 vacant possession was delivered on time, by 18 January 2021. Tenants who have not already moved to their new accommodation are either already signed up to leases that allow CGMA to terminate them when vacant possession is required, or they are on tenancies at will pending completion of such leases. Other practical mitigation measures include CGMA's provision of advice to tenants to assist them in the process of commissioning fit-out works to their new units, which facilitates successful vacant possession of existing space. Tenants will also receive contributions towards the cost of fitting out their new trading space and receive support and advice in this area from CGMA.	↓	↓

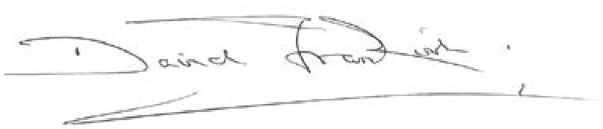
Risk	Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
Loss of stakeholder support The long term plan for the Market cannot succeed without the support of Government, town planning and highway authorities, tenants and other stakeholders.	Maintaining a dialogue with all stakeholders as the project proceeds and the delivery of the long term plan is progressed. Defra is briefed regularly on the progress being made. Appropriate contacts are being maintained with the town planning and highway authorities. CGMA remained very actively engaged with those tenants scheduled to relocate to new space during the next two construction phases throughout the litigation dispute. Defra fully supported CGMA's approach to successfully resolving the dispute with some of its tenants regarding the redevelopment project. See Note 25 Events after the reporting period, for more detail.	↔	↓
Complexity of project The project is inherently complex with numerous critical factors. The redevelopment would be liable to fail if CGMA was not appropriately resourced and funded to manage its area of responsibility.	CGMA has recruited appropriately qualified staff and advisers, with a robust reporting procedure monitored by the Board.	↔	↔
Quality of development end product Lack of clarity or misunderstanding in the development specification adversely impacts end product.	CGMA works closely with VSM to clarify the detailed specification and to ensure both that incremental design changes meet current requirements and that sufficient specialist resource is in place to facilitate this work.	↔	↓
Construction costs and sales values Significant construction inflation or falls in land values could adversely affect the ability to complete the development.	The risk of construction cost inflation and land value changes have been transferred to the development partner.	↔	↔
Policy change The strategic and policy framework for the Market is determined by the Government and town planning authorities. A significant change to that framework could undermine the redevelopment project.	The Authority seeks to ensure that the issues facing the Market are properly communicated to those who directly influence policy and to the wider community. The Authority uses professional town planning consultants to engage in formal planning processes and a communications agency to advise on more general communications.	↔	↔
Loss of a large part of the site A fire or other major incident could seriously affect the business of the Market.	Preventative measures in place include: risk assessments, hot works control permits, third party inspections and the provision of guidance to tenants on how to minimise their risk. There is also a close working arrangement with the developer. The Authority's business continuity plan is regularly reviewed and tested.	↔	↔
Impact of Coronavirus pandemic The Authority's exposure to sectors of the economy severely impacted by the pandemic through its tenants' reliance on those sectors (e.g. hospitality and events) creates a risk to its financial viability.	Defra have agreed to provide some repayable financial support to CGMA in order to deal with the impact of the pandemic on its finances. Please see Note 25 Events after the reporting period. The Authority is liaising very closely with its tenants and is offering some financial support in turn, based on an assessment of need and its own capacity to do so, having regard at all times to the UK Government's code of conduct for commercial landlords in relation to the pandemic. More detail is included in the Authority as a Going Concern section on page 13.	NEW	NEW

Given the timing of the production of the 2019/20 accounts, the risks are covering a much longer period.

Disclosure of Information to the Auditor

In the case of each person who was a Board Member at the time this report was approved:

- so far as that Board Member was aware there was no relevant audit information of which the Authority's auditor was unaware and
- that Board Member had taken all steps that the Board Member ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish the Authority's auditor was aware of that information.



David Frankish, Executive Chair, Covent Garden Market Authority

Foreword to the Accounts

History, Statutory Background & Principal Activities

CGMA is a statutory corporation established in 1961 by Act of Parliament. The Authority was initially charged with the duty of providing the horticultural wholesale Market facilities then located at Covent Garden WC2, and improving them.

The Authority recommended that the Market should be relocated and a scheme was devised for its transfer to a new site at Nine Elms, SW8. These proposals were approved by Parliament in 1966 and land was purchased on which the new Market facilities were built. The capital cost of the new Market was funded by Government loans, the final balance of which was repaid in March 1990. The freehold title of the land at Nine Elms is vested in the Authority together with a leasehold interest until 2073 from Network Rail over the area beneath the railway viaduct crossing the site.

The Market moved to the current site in 1974 and currently comprises around 175 tenant companies, of which the majority are wholesale and distributive tenants in the horticultural sector. There are a number of other tenants, including importers and firms supplying foodstuffs and catering and other services. The site is currently undergoing a wholesale redevelopment to create a renewed Market estate.

In addition to providing facilities, such as warehouse and office premises, market halls, roads and vehicle parks, the Authority undertakes the supply of services needed by the Market community: cleaning and waste disposal, energy supply, site security, traffic control and the maintenance of buildings, plant and equipment. Expenditure on these services is recovered from Market tenants via service charges which are reviewed annually in line with costs and taking into consideration the advice of tenant representatives. The provision of services is through commercial contracts placed with specialist suppliers.

Business Review

An operating loss before redevelopment activity costs of £0.3m was generated during 2019/20, compared to a corresponding operating profit of £1.9m for 2018/19. Contributory factors to the year on year decrease of £2.2m include:

- A reduction of £0.5m in recoveries from tenants, due to a reduction in square footage following handover of units to VSM for redevelopment
- An increase in miscellaneous receipts of £0.4m over the prior year
- An increase in depreciation charges of £0.5m associated with the continued progress of the redevelopment project, as assets are brought into use
- An increase in the bad debt provision of £0.8m associated with the impact of the Coronavirus pandemic.

Redevelopment project costs increased by £2.1m compared to the prior year. The increase related to costs associated with the litigation action brought against CGMA by some tenants in relation to the redevelopment project.

Taxation charges increased year on year by £1.7m due to a provision made for corporation tax associated with the uncertainty over whether CGMA will be able to extend the statutory reinvestment period in relation to the provisional rollover relief claims on the Northern site land sale in August 2017.

The loss for the financial year after tax was £4.1m.

Pension Fund

The deficit relating to the Defined Benefit Pension plan decreased year on year by £1.6m to £1.0m (2018/19: £2.6m). The Authority paid £0.2m of additional employer contributions to the Pension Fund designed to eradicate this deficit over time, and generated an actuarial gain in the year of £1.5m due to the effect of changes in financial assumptions.

Net Cash Flow

The level of cash and cash equivalents for the year decreased by £5.1m to £86.4m (2018/19: £91.5m).

This decrease was attributable to the following factors:

- A net cash outflow relating to operating activities including taxation payments of £2.5m
- A net cash outflow relating to investment in capital expenditure of £2.8m (2018/19: £3.9m)
- A net cash inflow relating to finance income and proceeds on disposal of plant and equipment of £0.1m.

The total figure as at 31 March 2020 of £86.4m includes:

- £78.3m in respect of monies held for the progression of the development works, however, their release is conditional on the conditions in the Development Agreement being met
- £2.2m (2018/19: £2.3m) in respect of monies held on behalf of tenants.

Capital Expenditure & Fixed Assets

Capital expenditure during the year totalled £7.0m (2018/19: £9.2m), relating exclusively to construction in progress at the year end on incomplete development assets.

To reflect the fact that most of the new Market has been paid for in the form of land disposals whilst construction is still in progress, £26.6m has been recognised as a debtor balance (2018/19: £30.4m) from VSM, as per the table in Note 13 to the accounts.

Key Performance Indicators

Operational key performance indicators (KPI) are included in the Highlights on page 6. Additionally the Authority also monitors profitability, rental income and the delivery of the redevelopment project.

Financial Risk Management

Financial Risk Management details of the Authority's financial instruments and its policies with regard to financial risk management are given in Note 21 to the Accounts.

Dividends

The Authority paid no dividends during the year (2018/19: £nil).

Political & Charitable Donations

The Authority does not make political donations. Charitable and other donations during the year amounted to £27,500 (2018/19: £27,738).

Business Prospects

The Authority's Board believes that the Market must change if it is to continue to provide a high level of service to wholesalers and London businesses in the 21st century. Rebuilding of the Market is well underway.

The Coronavirus pandemic and subsequent National Lockdown on 23 March 2020 impacted the Market's operation as many of our tenants supply members of the hospitality and events industries. At the 31 March 2020, the duration and impact of the Coronavirus pandemic were unknown and unknowable. Even the likely duration of the National Lockdown (the first of three to date) was unclear at that point.

In the Fruit & Vegetable Market occupancy of core trading space remains consistent at 92 per cent. As the hospitality sector came to a halt many of our tenants quickly and innovatively turned to offering home delivery boxes, which has helped them through these unprecedented times. Tenants have been supported by a range of Covid-19 related emergency measures provided by both CGMA and HM Government. Significant trading challenges continue and we are very aware of the real impact that Covid-19 continues to have on our tenants. Right across the Market CGMA is continuing to work in direct collaboration with our tenant community as we try to find ways to navigate an exceptionally difficult trading environment.

The Flower Market remained fully let throughout the year to 31 March 2020. The first Covid-19 lockdown saw the Flower Market close for a 79 day period, with most tenants unable to trade. The loss of the primary spring/summer trading period, combined with the ongoing restrictions across the events and hospitality sector, poses a significant challenge to our Flower Market traders who do not estimate a return to normal trading patterns until later in 2021.

Office space in the Food Exchange building was 95 per cent leased at the year end (compared to 78% in the previous year), following a very successful year of occupancy and rental growth. Now into its third year, this is a marker of CGMA's success in attracting new, innovative food businesses. The wider trend toward more flexible, modern office accommodation as a result of the pandemic, is set to continue, and the prospects for this asset are very strong.

At present, it is impossible to quantify what the long term impacts of Covid-19 and the EU Exit will have on our Markets. CGMA is committed to supporting and retaining viable businesses to ensure NCGM remains the leading wholesale Market for fruit, vegetables and flowers in the UK.

Covid-19 meant that our online promotion of the Market was more important than ever, with our most successful British Flowers Week yet, held entirely online. This coincided with the reopening of the Flower Market in mid-June. Joining the celebration of the importance British Flowers play in our lives was Her Royal Highness, The Duchess of Cornwall, who created a video message to support our celebration of British Flowers that saw people across the country putting flowers in their windows. The home delivery boxes offered by our Fruit & Vegetable Market tenants resulted in the highest ever number of visits to our website in one day - 63,649 on 24 March.

As we reflect on 45 years of successful trading since NCGM has been based in Nine Elms, the Authority remains confident of the future. The last year, as challenging as it was, strengthened our determination and that of our traders to show the resilience required to continue to feed and flower London.

Post Balance Sheet Events

Following the end of the financial year, the Authority obtained support and financial backing of Defra as sponsoring department within Government, to enable the tenant litigation to be settled on terms that included:

- amendment to the development plans (subject to a public consultation, which was duly completed)
- enhanced tenant fit-out contribution
- security of tenure for existing tenants of the Fruit & Vegetable Market
- concessionary rents for the duration of the development and
- assurance of vacant possession in line with the revised development Master Programme.

As a result of this, the tenant litigation is no longer a risk factor.

The dispute with VSM was also settled, on terms that included postponing the deadline for vacant possession of the first phase for demolition to 18 January 2021 (and revising the Master Programme accordingly), settling all pre-existing claims, and amending the Development Agreement to provide greater control of pricing for future changes to the development programme or specification.

Vacant possession of the first phase for demolition was delivered by 18 January 2021, and demolition works are progressing on schedule.

The Authority was restructured, with the redundancy of the roles of Chief Executive Officer, Property Director and Finance Director. Further restructuring and redundancies took place in the Authority's Tenant Facing and Strategy, Partnerships and Communications teams. This realigns the Authority with its statutory purposes and creates a flatter, more agile management structure.

A Framework Agreement, providing guidance as to the management of the relationship between the Authority and Defra as its sponsoring department within Government was agreed and duly signed by the Authority. It received Government approval in January 2021.

The Authority continued to be affected by the restrictions imposed by Government to tackle the Covid-19 pandemic throughout the post Balance Sheet period, with receipts of rent from tenants running at approximately 50% of what was due over the period. The Authority sought to address tenant hardships in a number of ways, including advising tenants on accessing Government funding, agreements to postpone rent and service charge payment obligations, service charge rebates to reflect reduced estate running costs, and a proposal to forgive a month's rent as an incentive to regularise arrears by entering into payment plans. The Authority's ability to enforce debt recovery was also severely restricted during this period, and the Authority adhered rigorously to Government guidance to commercial landlords in light of the Covid-19 pandemic.

To mitigate the dramatic impact on the Authority's cash flow arising from the Covid-19 restrictions, financial support was sought and £5.019m was obtained from Defra in 2020/21.

The financial duty provided by s37 (1) of the Covent Garden Market Act 1961 as amended by the Covent Garden Market Act 1977 is that:

'It shall be the duty of the Authority so to exercise and perform their powers and duties as to secure that their revenues are not less than sufficient to meet all sums properly chargeable to revenue account, taking one year with another.'

Having regard to the loss made in the financial year 2019/20 and the profits made in previous years, it is considered, taking one year with another, that the requirement has been met.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Contents for Covent Garden Market Authority's Accounts 2019/20

5 Year Summary of Financial Statements

		2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	**2019/20 £'000**
1	Gross income including finance income	17,992	17,793	18,057	17,734	**17,489**
2	Gross expenditure including depreciation	(16,168)	(16,413)	(16,828)	(15,776)	**(17,737)**
3	(Deficit)/surplus before redevelopment activity	1,824	1,380	1,229	1,958	**(248)**
4	Disposal of assets	11,274	-	114,432	-	**77**
5	Redevelopment project costs not capitalised	(444)	(686)	(257)	(271)	**(2,371)**
6	Gain on completion of exchange transaction	-	-	-	-	**490**
7	(Deficit)/surplus before taxation	12,654	694	115,404	1,687	**(2,052)**
8	Corporation tax & deferred tax	(2,002)	1,400	(13,276)	(323)	**(2,030)**
9	**Net profit/(loss) after accounting for tax**	10,652	2,094	102,128	1,364	**(4,082)**
10	**Capital & reserves**	11,584	8,915	75,140	76,314	**73,463**

Independent Auditor's Report to the Members of Covent Garden Market Authority

Opinion

We have audited the financial statements of Covent Garden Market Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Covent Garden Market Acts 1961 to 1977.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements concerning the Authority's ability to continue as a going concern.

Since 11 March 2020, Covid-19 has had a significant impact on the global economy, especially the hospitality sector and Government restrictions have significantly affected NCGM's tenants and therefore the income levels and cash receipts for the Authority. Financial support has been provided by Defra in the period to 31 March 2021 and further working capital support is available to draw down in relation to lost income as a result of the tenant settlement. However, the ultimate impact of Covid-19 on the Authority and its tenants, together with the potential for a recession, remains unquantifiable at this stage, particularly in relation to future income collection and occupancy levels, and as such whether the committed support will be sufficient to meet cash flow requirements.

In addition, the Authority has significant liabilities to meet under the tenant settlement in relation to capital expenditure. Written confirmation has been received from Defra regarding the quantum of their financial support for the tenant settlement, the intention for its use and the timing of receipt. However, the Authority has identified that approximately £4.0 - £6.0m of additional support is required in 2021/22 with corresponding reductions in later years. Management will engage with Defra to consider what flexibility is available in the timing of drawdown of funding, however as there is nothing confirmed in writing there remains uncertainty over whether the support will be provided at the timing required.

The Board has undertaken a rigorous process in respect of going concern including consideration of the long-term business plan, preparation of shorter-term rolling cash flow forecasts and review of year-to-date performance management accounts. The assessment considers the Authority's ability to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of signing of the audit report, and to settle all obligations as they fall due in this period. The assessment shows that provided there is flexibility in the timing of receipt of committed financial support from Defra and the impact of Covid-19 remains within the modelled scenarios, the Authority remains a going concern.

As stated in Note 1 these conditions, along with other matters disclosed in Note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Authority's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Authority were unable to continue as a going concern. Our opinion is not modified in respect of this matter. Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the 59th Report & Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Covent Garden Market Acts 1961 to 1977 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Members' remuneration specified by law are not made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Members' responsibilities statement set out on page 10, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **www.frc.org.uk/auditorsresponsibilities.** This description forms part of our auditor's report.

Use of our report

This report is made solely to the Members of the Authority to assist them in meeting their responsibilities to the Secretary of State for Environment, Food and Rural Affairs, in accordance with the Covent Garden Market Acts 1961 to 1977 and for no other purpose. Our audit work has been undertaken so that we might state to the Members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Jacqueline Oakes, Senior Statutory Auditor, for and on behalf of Nexia Smith & Williamson
Statutory Auditor, Chartered Accountants 25 Moorgate, London, EC2R 6AY

23 March 2021

Income Statement for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Revenue	2	**16,445**	16,574
Government cost of capital subsidy	1n	**980**	1,080
		17,425	17,654
Operating expenditure			
Operating costs (excluding staff costs)	3	**(12,526)**	(10,965)
Board Members and staff costs	10	**(1,990)**	(2,151)
Depreciation	12	**(1,133)**	(570)
Government cost of capital charge	1n	**(2,030)**	(2,030)
		(17,679)	(15,716)
Operating (loss)/profit (before redevelopment activity)		**(254)**	1,938
Profit on disposal of assets	4	**77**	-
Gain on completion of exchange transaction	12	**490**	-
Redevelopment project costs not capitalised	5	**(2,371)**	(271)
Operating (loss)/profit (after redevelopment activity)		**(2,058)**	1,667
Finance income	6	**64**	80
Finance costs	9	**(58)**	(60)
(Loss)/profit before taxation		**(2,052)**	1,687
Taxation	11	**(2,030)**	(323)
(Loss)/profit for the financial year		**(4,082)**	1,364

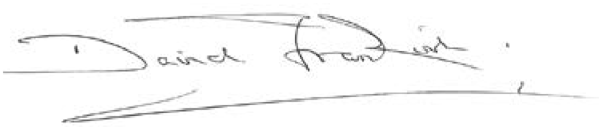
Statement of Comprehensive Income for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
(Loss)/profit for the financial year		**(4,082)**	1,364
Other comprehensive income for the year			
Actuarial gain/(loss) on Defined Benefit Pension plan	15	**1,520**	(229)
Income tax associated with actuarial gain/(loss) on pension liability	16	**(289)**	39
		1,231	190
Total comprehensive income for the year		**(2,851)**	1,174

Statement of Financial Position as at 31 March 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**49,499**	43,663
Trade and other receivables	13	**13,062**	-
Deferred tax assets	16	**523**	447
Total non-current assets		**63,084**	44,110
Current assets			
Trade and other receivables	13	**31,018**	32,729
Cash and cash equivalents	14	**86,380**	91,492
Total current assets		**117,398**	124,221
Total assets		**180,482**	168,331
Equity and liabilities			
Equity			
Reserve fund		**400**	400
Retained earnings		**73,063**	75,914
Total equity		**73,463**	76,314
Non-current liabilities			
Deferred tax liabilities	16	**1,312**	783
Provisions	18	**13,276**	-
Employee retirement benefit obligations	15	**955**	2,607
Total non-current liabilities		**15,543**	3,390
Current liabilities			
Trade and other payables	17	**88,000**	88,593
Provisions	18	**1,614**	-
Current tax liabilities		**1,862**	34
Total current liabilities		**91,476**	88,627
Total liabilities		**107,019**	92,017
Total equity and liabilities		**180,482**	168,331

The accounts were approved by the Authority's Board and were signed on its behalf on 19 March 2021 by:



D Frankish Executive Chair

J Lelliott Board Member and Chair of Audit, Risk & Assurance Committee

19 March 2021

Statement of Changes in Equity for the year ended 31 March 2020

	Reserve fund £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2018	400	74,740	75,140
Profit for the year	-	1,364	1,364
Other comprehensive income	-	(190)	(190)
Total comprehensive income for the year	-	1,174	1,174
Balance at 31 March 2019	400	**75,914**	**76,314**
Loss for the year	-	(4,082)	(4,082)
Other comprehensive income	-	1,231	1,231
Total comprehensive income for the year	-	(2,851)	(2,851)
Balance at 31 March 2020	400	**73,063**	**73,463**

As per the Covent Garden Market Acts 1961 - 1977, the Reserve fund is maintained as required by the Authority subject to directives issued by the Secretary of State with approval of the Treasury and is regarded as an equivalent of share capital in these accounts.

Statement of Cash Flows for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities	19	**(2,474)**	2,139
Income taxes paid		**(38)**	(6,527)
Net cash outflow from operating activities		**(2,512)**	(4,388)
Cash flow from investing activities			
Interest received		**64**	80
Purchases of property, plant and equipment		**(2,741)**	(3,924)
Proceeds on disposal of property, plant and equipment		**77**	-
Net cash outflow from investing activities		**(2,600)**	(3,844)
Net decrease in cash and cash equivalents		**(5,112)**	(8,232)
Cash and cash equivalents at beginning of year	14	**91,492**	99,724
Cash and cash equivalents at end of year	14	**86,380**	91,492

Notes to the Accounts for the year ended 31 March 2020

1 Accounting policies

A summary of the principal accounting policies is set out below.

a Basis of preparation

The accounts are prepared in accordance with IFRSs issued by the International Accounting Standards Board as adopted by the European Union and are in a form determined by the Secretary of State for Environment, Food and Rural Affairs with the approval of HM Treasury in accordance with Section 46 of the Covent Garden Market Act 1961 as amended by Section 3(7) of the 1977 Act. Without limiting the information given, the accounts meet the requirements of the Companies Act 2006.

The Accounts for 2019/20 have been prepared in accordance with the standard direction and the legislative requirements of the Covent Garden Market Act 1961 as follows:

i The Authority shall, as soon as possible after the end of each of its accounting periods, make a full report to the Secretary of State on the exercise and performance by it of its powers and duties during that period.

ii The Authority shall keep proper accounts and proper records in relation to the accounts and shall prepare in respect of each accounting period a statement of accounts in such form as the Secretary of State, with the approval of HM Treasury, may direct, being a form which shall conform to the best commercial standards.

iii The accounts of the Authority shall be audited by auditors to be appointed by the Authority with the approval of the Secretary of State, and a person shall not be qualified to be so appointed unless he is a member of one or more of the following bodies:

The Institute of Chartered Accountants in England & Wales

The Institute of Chartered Accountants in Scotland

The Association of Chartered Certified Accountants

The Institute of Chartered Accountants in Ireland

Any other body of accountants established in the United Kingdom and for the time being recognised for the purposes of Paragraph (a) of Subsection (i) of Section 161 of the Companies Act 1948 by the Board of Trade.

iv The report required by subsection (i) of this section for any accounting period shall set out any direction given to the Authority under Sections 37, 42, 44 or 45 of the Covent Garden Market Act 1961 (as amended) during that period and shall include such information relating to the plans, and past and present activities, of the Authority and the financial position of the Authority, as the Secretary of State may from time to time direct.

v There shall be attached to the said report for each accounting period a copy of the statement of the accounts in respect of that period and a copy of any report made on the statement by the auditors.

vi The Authority shall furnish to the Secretary of State such returns or other information relating to the property or activities or proposed activities of the Authority as the Secretary of State may from time to time require, and shall afford him facilities for the verification of information furnished by them in such manner and at such times as he may require.

vii The Secretary of State shall lay a copy of each report made to him under subsection (i) of this section and of the statement attached thereto before each House of Parliament, and copies of each such report and statement shall be made available to the public at a reasonable price.

The Authority's Board is required to give an opinion as to whether there is a reasonable expectation that adequate resources exist for the Authority to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of signing of the audit report. Any such view must take account of the need for substantial investment in the Market's facilities, and the risks identified in the section 'Principal Risks and Uncertainties' in the Governance Statement on page 10.

Since 11 March 2020, Covid-19 has had a significant impact on the global economy, especially the hospitality sector and Government restrictions have significantly affected the NCGM's tenants and therefore income levels and cash receipts for the Authority. The impact of Government restrictions has become progressively clearer since the first National Lockdown period started on 23 March 2020, to the point where it was possible to calculate the likely extent of the shortfall in the Authority's revenues. To mitigate the dramatic impact on the Authority's cash flow arising from the Covid-19 restrictions, financial support was sought from Defra and £5.019m was obtained in 2020/21. It should be noted that a key reason why Defra considered itself able to support the Authority in this way was due to the Authority's status as a public corporation, which means that other forms of Covid-19 support are not available to it. Further working capital support has also been made available to draw down by Defra in relation to lost income as a result of the tenant settlement. Although the position is more certain now than during 2020, the ultimate impact of Covid-19 on the Authority and its tenants, together with the potential for a recession, remains unquantifiable at this stage, particularly in relation to future income collection and occupancy levels, and as such whether the committed support will be sufficient to meet cash flow requirements.

In addition, the Authority has significant liabilities to meet under the tenant settlement in relation to capital expenditure. Written confirmation has been received from Defra regarding the quantum of their financial support for the tenant settlement, the intention for its use and the timing of receipt. However, the Authority has identified that approximately £4.0 - £6.0m of additional support is required in 2021/22 with corresponding reductions in later years. Management will engage with Defra to consider what flexibility is available in the timing of drawdown of funding, however as there is nothing confirmed in writing there remains uncertainty over whether the support will be provided at the timing required.

The above two factors lead to the existence of a material uncertainty which may cast significant doubt about the Authority's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Authority were unable to continue as a going concern.

The Board has undertaken a rigorous process in respect of going concern. In forming a view, the Board had regard to the following:

- The commercial agreement with VSM and subsequent amendment to the Development Agreement, which was completed on 14 October 2020 and provided for:
  - a postponement of the deadline for vacant possession of phase 1 to 18 January 2021
  - consequent adjustments to the Master Programme for the development and
  - appropriate measures to control costs of amendments to the development programme going forward
- The fact that vacant possession of phase 1 was subsequently achieved by 18 January 2021
- The contractual arrangements with VSM and their ability to complete the works. The contract with VSM provides the Authority with various forms of protection to mitigate the risk that VSM fail to fulfil their obligations to complete the redevelopment. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights
- The agreement with the tenants to settle the litigation relating to the redevelopment of NCGM, which was completed on 26 November 2020 and enabled the development to proceed subject to agreed changes
- Projected cash flows and associated forecast financial statements taken from the updated projections in the Long-Term Business Plan, which covers the remaining period of the redevelopment to 2027 and extends further out to the end of the 2030/31 financial year

- The requirement for the continued existence of the Authority as a public corporation pursuant to the Covent Garden Market Acts, and the fact that the Authority's statutory duties are, for financial purposes, confined to:
  - breaking even, taking one year with the next and
  - building up a surplus for reinvestment for the benefit of the Market
- The impact of the confirmed external financial support for CGMA forthcoming from Defra in relation to the settlement of the tenant litigation and the impact of the Coronavirus pandemic, in accordance with the funding approval letter issued to the Board of CGMA and dated 12 August 2020.

The assessment shows that provided there is flexibility in the timing of receipt of committed financial support from Defra and the impact of Covid-19 remains within the modelled scenarios, the Authority remains a going concern.

The Board of the Authority is therefore of the opinion that the Authority has adequate resources to continue in operational existence for the foreseeable future.

b Critical accounting judgements and key sources of estimation uncertainty

The preparation of accounts in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The main areas of estimation/judgement are provided below.

i Recoverability of trade and other receivables

The trade and other receivables balances in the Authority's Statement of Financial Position relate to numerous customers with small individual balances.

All individual other receivables balances are reviewed on a month by month basis. Whilst every attempt is made to ensure that any bad debt provision is as accurate as possible, there remains a risk that the provisions do not match the level of debt which may ultimately prove to be uncollectible. The carrying amount of the Authority's other receivables in these accounts, net of provisions, is £273k (2018/19: £854k).

A provision for impairment of trade receivables is established using an expected loss model. Expected loss is calculated from a provision matrix based on expected lifetime default rates and estimates of loss on default. The carrying amount of the Authority's trade receivables in these accounts, net of provisions, is £1,197k (2018/19: £340k).

ii Post retirement benefits

The determination of the pension cost and defined benefit obligation of the Authority's Defined Benefit Pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality and expected return on scheme assets.

See Notes 1i and 15 for further details.

The main areas of judgement are provided below.

iii Provision for taxation

In providing for tax due, the Authority has made judgements regarding the availability of certain deductions for tax purposes. The key area of judgement relates to the Authority's application for rollover relief on the sale of the Northern Site. We have received correspondence from HMRC with regard to the rollover relief, which clarifies the guidance on the application for an extension and the timelines associated with the qualifying period. They confirmed that there would be no assessment on the extension of the rollover relief period until 31 March 2022. As such there is uncertainty whether HMRC will agree to extend the rollover relief reinvestment period as well as the Authority's ability to incur sufficient qualifying expenditure within any timeframe permitted. Due to the additional uncertainty around available cash flow for reinvestment as a result of the impact of Covid-19 and the tenant settlement, and further guidance received from HMRC, a provision of £1,900k has been made representing the potential tax impact should rollover relief not be fully available.

iv Accounting for the development

Judgement was required as to whether the construction agreement and land sales represent two separate transactions or one linked 'exchange transaction'. Having considered both the legal position and substance of the arrangements, management have concluded that all indicators suggest that it is a linked transaction and therefore the Authority has accounted for it as such.

v Recognition of provisions and reimbursement asset in relation to the ongoing litigation

As disclosed in Note 18, following the year end the Authority reached settlement with the tenants and VSM in relation to the ongoing litigation and dispute respectively, with those parties. Management have considered the accounting recognition criteria for a provision and have judged that as at 31 March 2020, a liability did exist which was probable and for which a reliable estimate could be made. Management's estimate of the total economic outflow required to settle the obligation was based on the terms of the settlement agreement. Some of these costs were fixed in nature and have been included at the value stipulated in the agreement. Certain other terms of the settlement require management to undertake specific fit-out works for which a contractor quote has not yet been finalised. As a result, management have made their best estimate of what this quote may be to arrive at the year-end provision.

As disclosed in the same note, Defra has provided financial support to the Authority to enable it to reach the settlement with the tenants. Management was required to make a judgement over the timing of this support being received. Although signed confirmation was not received until August 2020, discussions were held with Defra for several months in advance of year end, and therefore reimbursement was concluded to represent a pre year end event. As the funding has been received, no judgement was required in relation to whether the funding is virtually certain or not. No estimation of the quantum of the debtor was required as the asset represents an equal and opposite amount to the corresponding provision.

vi Recognition of the exchange transaction

Accounting standards require that an exchange transaction is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. From review of the cash flow calculations in respect of the Market, it has been considered highly likely that the transaction has commercial substance and has been dependably calculated. The rationale being that the cash flows to be derived from the completed Market are substantially different to those from the sale of the surplus land.

There are two possible amounts at which to account for the acquisition of the completed Market in an exchange transaction being the fair value of the asset received (the completed Market) or the fair value of the asset given up (the surplus land). The risk, timing and amount of the cash flows of the asset that CGMA is receiving differs from the risk, timing and amount of the cash flows of the asset that CGMA is transferring. As per IAS 16 the standard takes the view that if the fair value of the asset given up can be based on a reliable estimate it is preferred over the fair value of the asset received, unless the fair value of the asset received is more clearly evident. No further guidance is provided around 'more clearly evident' and as such this is a judgemental area. Management have concluded that the fair value of the asset received is 'more clearly evident' as the fair value of the asset received is more reliable to measure and there is less subjectivity over the value of the Market due to the expected cash flows being identifiable. This is in contrast to the value of the asset given up (the land) which is subject to significant external factors, has significant variability over time and is also not certain.

vii Valuation attributable to the asset received

The fair value of the Market was valued externally by Gerald Eve based upon a discounted thirty-year cash flow model incorporating a terminal value. The valuation has been performed in accordance with the Valuation Practice Statements and Practice Guidance contained in the Valuation - Professional Standards, incorporating the International Valuation Standards of the Royal Institute of Chartered Surveyors. The valuation was completed on the basis of special assumptions: (i) the Market buildings are completed to the development specification and the Market is operating as a trading entity; and (ii) the valuation was carried out on the basis of existing use. As a result of the revised Master Programme in respect of the redevelopment and the extended timelines, Gerald Eve had updated their valuation as at 31 March 2020 to take into account any adjustments to income and cost expectations anticipated.

The Authority has currently recognised costs within the financial statements in relation to the work performed to date. The value of construction in progress and completed assets in relation to the redevelopment are based on an estimate of the total actual costs to complete the development and the actual costs incurred by the year end, taking into account the fair value of the development assets capitalised and the remaining fair value of assets to be capitalised. The estimate of the total actual costs to complete the development and the actual costs incurred by the year end is provided by our development partner. The judgement and estimate relates to the accuracy of the overall projected total costs and the stage of completion. See also Note 12.

c New standards and interpretations

A number of new International Financial Reporting Standards ('IFRS') have recently been issued or are due to be issued shortly which will have an effect on the Authority. Below is a brief description of the provisions of each new or planned IFRS and an overview of the likely effect on the Authority. The full impact on the Authority should be considered in detail in the near future.

The following new International Financial Reporting Standards ('IFRS') were effective for the year ended 31 March 2020:

- IFRS 16: Leases

IFRS 16 requires the inclusion of assets and liabilities relating to operating lease commitments that are not de-minimus.

The assessment by Members is that the adoption of this standard had no material impact on the accounts in the period of application.

The Authority has taken the exemption available for low value leases not to be recognised as a right of use asset. Such leases are recognised on a straight-line basis. The de-minimus criteria applied by management was leases of a value of less than £5,000 - these are therefore deemed to be immaterial for the purpose of disclosure under IFRS 16.

d Property, plant and equipment

i Properties

The Authority adopted the transitional arrangements available under IFRS 1 'First time adoption of International Financial Reporting Standards', whereby the book values of properties, previously stated at professional valuations at 1 April 1977 plus subsequent additions at cost, less disposals and accumulated depreciation, are now treated as being carried at cost less accumulated depreciation and provision for impairment.

The original freehold and leasehold buildings are depreciated on a straight line basis from 1 April 2003, reflecting the remaining useful life of the buildings of between three and 20 years. The newly constructed Market assets are depreciated on a straight line basis over 50 years for buildings, 15 years for mechanical and electrical and three to eight years for plant and equipment from the point that they are complete. The land element is not depreciated.

ii Plant and equipment

Plant, equipment and motor vehicles are stated at cost less accumulated depreciation and provision for impairment.

These assets are depreciated on a straight line basis using various rates which reflect the expected useful life of the assets. These range from three to eight years.

iii Development assets and construction in progress

The Development Agreement provides a schedule for delivery of new buildings, coupled with the mechanisms for payment, primarily being the transfer of land surplus to CGMA's requirements for the new Market, to the developer. This arrangement represents an exchange transaction. IAS 16 requires that the cost of an item of property, plant and equipment in an exchange transaction is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The Authority has assessed that the transaction has commercial substance and can be reliably measured. The assets are therefore measured at their fair value, representing the fair value of the assets received. The fair value of the Market has been calculated by a third-party valuer, using a recognised valuation technique and on the basis of existing use.

As a result of the revised Master Programme in respect of the redevelopment and the extended timelines, Gerald Eve had updated their valuation as at 31 March 2020 to take into account any adjustments to income and cost expectations anticipated. The transaction is viewed as not one exchange transaction but multiple smaller exchange transactions which take place each time CGMA receives assets throughout the development programme.

The cost (being the fair value at the date of exchange) of any one asset is considered to crystallise at the date that CGMA transfers the asset to completed assets and valuation movements are only recognised at this point in time. Any assets completed before the change in valuation will therefore not be affected by an uplift and the share of the total valuation uplift that relates to previously completed assets is not recognised.

The Authority recognises costs within the financial statements in relation to the work performed to date based upon assessments of the stage of completion, as provided by the development partner. The carrying value of assets are based on an estimate of the total actual costs to complete the development and the actual costs incurred by year end, taking into account the fair value of the development assets capitalised and the remaining fair value of assets still to be capitalised. At year end completed assets are stated at cost less accumulated depreciation and provision for impairment with the assets being depreciated on a straight line basis. Assets under the course of construction are carried at cost less impairment and include professional fees, costs of construction and directly attributable staff costs. Depreciation of these assets commences when they are capable of use.

e Impairment of assets

At each Statement of Financial Position date, the Members review the carrying amounts of the Authority's tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current Market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognised for cash-generating units are charged pro rata to the other assets in the cash-generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately.

f Profit or loss on disposal of assets

Profit or loss on disposal of assets is calculated as the proceeds, less carrying amount and selling costs. In the case of exchange transactions the proceeds comprises the fair value of assets received plus any cash amounts. Profit or loss on disposal of assets also includes any overage amounts due in relation to the asset sold, provided the conditions for receipt have been met and it is probable that amounts will be received.

g Reserve fund

The Authority is under an obligation to maintain a Reserve fund in accordance with the provisions of the Covent Garden Market Acts. The sums to be carried to the credit of the Reserve fund and the application of this Fund are to be such as the Authority may determine (subject to directions given by the Secretary of State with the approval of the Treasury).

h Retained earnings

Represents the cumulative profits and losses less distributions to Defra and transfers to Reserve fund.

i Pensions

The Authority operates pension plans for the benefit of the majority of its employees, including both defined contribution and defined benefit plans.

In relation to its defined contribution plans, the Authority makes contributions to independently administered plans, the contributions being recognised as an expense when they fall due. The Authority has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

In relation to its defined benefit plans, the Authority recognises in its Statement of Financial Position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the scheme liabilities net of the interest on scheme assets is included in the finance costs.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the Statement of Comprehensive Income in the period in which they arise.

j Deferred taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts.

Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

k Grants

Revenue grants are not recognised until there is reasonable assurance that the Authority will comply with the performance conditions attaching to them and that the grants will be received. These grants are recognised in the Income Statement on a systematic basis over the periods in which the Authority recognises as expenses the related costs for which the grants are intended to compensate.

Government grant funding received from Defra to enable CGMA to meet the terms of the tenant settlement is repayable in the form of future distributions to be made by the Authority to Defra at a time when the Authority is capable of doing so. There are no agreed repayment terms and no requirement to pay if the Authority does not return to profit. Amounts are recognised in profit and loss in line with related expenditure.

l Revenue

Revenue is measured at the transaction price received or receivable allocated to the performance obligation satisfied and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. As the expected period between transfer of a promised good or service and payment from the customer is one year or less then no adjustment for a financing component has been made.

Sales of goods are recognised when goods are delivered and control has passed. Revenue arising from the provision of services is recognised when and to the extent that the customer simultaneously receives and consumes the benefits of the Authority's performance.

IFRS 15 Revenue from Contracts is applicable to the all of the Authority's revenue streams but excludes rental income. This income is generated from tenant leases and is outside of the scope of the new standard. The individual accounting policies for each major income stream are as follows:

i Rent, sales of services and other income

Revenue comprises rents, recoveries from tenants for costs per the terms of service charge regimes, vehicle access charges, income from the Sunday Market operation and other miscellaneous sources such as costs reimbursed, advertising revenue and insurance commission.

Rent is received quarterly in advance and recognised in the period to which it relates over the course of the lease and at a level determined per a rent review exercise conducted every five years in accordance with lease contracts.

Service charges are recognised in the period to which they relate at a level determined per an annual forward budgeting exercise, with a rebate provided to tenants at the financial year end based on actual costs incurred.

Recharges of electricity supplies provided are recognised in the period to which they relate based on actual costs incurred.

Waste disposal charges are recognised in the period to which they relate. Charges for certain types of waste are recognised based on actual activity from tenants and costs incurred from waste disposal providers. Other types of waste costs are managed within service charge regimes described above.

Vehicle access charges are recognised in the period to which they relate. These are charged on either an annual fee (permit access) or activity (casual entries to the NCGM estate) and according to charges revised annually by the landlord.

Revenue relating to the Sunday Market is recognised in the period to which it relates based on actual activity in accordance with the contract in place with Saunders Markets Limited.

Recharges of certain costs associated with the redevelopment project are recognised in the period to which it relates based on costs incurred.

Insurance commission is recognised in the period to which it relates based on the amount negotiated with the insurer on an annual basis.

ii Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

m Financial instruments

Financial assets and financial liabilities are recognised on the Authority's Statement of Financial Position when the Authority becomes party to the contractual provision of the instrument.

i Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active Market. They arise when the Authority provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities expected to be greater than 12 months after the Statement of Financial Position date. These would be classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Authority do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss. Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

ii Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits held with banks.

Included within cash and cash equivalents is a balance which comprises bank accounts controlled by the Authority but for which there is no beneficial interest. The monies are held for the progression of the development works, however, their release is conditional on the conditions in the Development Agreement being met. The Authority has recognised a liability of an equivalent amount to reflect the nature of this arrangement. See Note 17 for further information.

iii Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

n Cost of capital

Defra levies a cost of capital charge on the Authority in accordance with guidance set out in the Treasury Consolidated Budgeting Guidance. The charge represents the notional cost to the Government of holding assets. In 2019/20 the charge was calculated by reference to a valuation by DVS - Valuation Office Agency as at 31 March 2009 and a 3.5% rate of return. Defra pays a subsidy to the Authority which contributes towards the payment of the charge.

o Contingent liabilities and provisions

Contingent liabilities

A contingent liability is recognised when the Authority has either a possible obligation depending on an uncertain future event, or a present obligation but where payment is not probable or the amount cannot be measured reliably. If this is the case, the Authority will include the contingent liability in its financial statements via disclosure only. No liability is recognised in the Statement of Financial Position.

Provisions

Provisions are recognised when the Authority has a present obligation as a result of a past event, and it is probable that the Authority will be required to settle that obligation. Provisions are measured at the Board's best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, and are discounted to present value where the effect is material.

Reimbursement asset

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Authority settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. In the Statement of Comprehensive Income, the expense relating to a provision are presented net of the amount recognised for a reimbursement.

p Payment of creditors

Unless subject to a dispute the Authority's practice is to pay all accounts in accordance with the terms agreed at the time of placing the contract or order. Twenty four purchase days (2018/19 - five purchase days) were outstanding on the purchase ledger at the year end.

q Ultimate controlling party

The Authority is classified as a Public Corporation, which operates under a management agreement with Defra. It has substantial day to day operating independence, but in the view of the Board of the Authority, the ultimate controlling party is Defra.

r Redevelopment project costs

Costs arising from the redevelopment project including directly attributable, legal, staff, admin and advisory fees.

2 Revenue

	2020 £'000	2019 £'000
Income from tenants		
Rents	**5,124**	4,981
Recoveries from tenants	**7,795**	8,233
Other income		
Commercial vehicle charges	**1,205**	1,286
Car and coach parking charges etc	**210**	170
Sunday Market	**879**	967
Miscellaneous receipts	**1,232**	864
	16,445	16,501
Recharge of costs incurred	**-**	73
	16,445	16,574

3 Operating costs (excluding staff costs)

	2020 £'000	2019 £'000
Market security	**1,514**	1,563
Rates	**237**	332
Maintenance, repairs and renewals	**1,381**	1,447
Cleaning and waste	**3,416**	3,624
Heat, light and power	**2,017**	1,925
Insurance	**437**	451
Printing, stationery and telephone	**132**	62
Professional fees	**587**	432
Bad debt provision	**898**	67
Publicity	**137**	118
Sunday Market operating costs	**373**	421
General expenses	**357**	495
Apex costs reimbursement	**1,040**	-
Costs reimbursed	**-**	28
	12,526	10,965

4 Profit on disposal of fixed assets

	2020 £'000	2019 £'000
Proceeds	**77**	-
Net book value	**-**	-
	77	-

5 Redevelopment project costs not capitalised

	2020 £'000	2019 £'000
Administrative costs and advisory fees	**2,371**	271
	2,371	271

6 Finance income

	2020 £'000	2019 £'000
Bank interest receivable:		
On Market activities	**64**	80
	64	80

7 Operating (loss)/profit for the year is stated after charging

	Note	**2020 £'000**	2019 £'000
Depreciation of property, plant and equipment	12	**1,133**	570
Staff costs	10	**1,990**	2,151
		3,123	2,721

8 Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the Authority's auditor for the audit of the Authority's annual accounts	**85**	40
Fees payable to the Authority's auditor for other services:		
Relating to taxation	**23**	57
Relating to other services	**11**	2
Fees payable to the Authority's auditor in respect of associated pension schemes	**5**	5
	39	64

9 Finance costs

	Note	2020 £'000	2019 £'000
Net interest costs on pension	15	**58**	60
		58	60

10 The Members and staff costs

The Members of the Authority during the year were: Mr D Frankish (Chair) | Mr W T Edgerley (to 31 May 2019) | Mr A Robertson OBE | Mrs T M Wickham | Sir Edward Lister (to 9 August 2019) | Ms S Turnbull | Mr J Lelliott OBE | Mrs Victoria Wilson (from 12 December 2019). The Chair was the highest paid Member during the year.

During the year the Board's emoluments were as follows:

	2020 £	2019 £
David Frankish (Chair) (joined 01.02.2019)	**83,699**	9,690
Pam Alexander (left 31.01.2019)	**-**	35,000
Bill Edgerley (left 31.05.2019)	**8,412**	12,531
Teresa Wickham	**12,515**	10,575
Sir Edward Lister (left 09.08.2019)	**2,603**	8,420
Archie Robertson	**11,160**	11,160
Nigel Jenney	**-**	7,809
Victoria Wilson (joined 12.12.19)	**5,132**	-
Sara Turnbull	**13,377**	10,575
John Lelliott	**10,064**	10,064
Total	**146,962**	115,824

David Frankish's allocated time to CGMA increased from two to four days per week during 2019/20. In addition, Members are reimbursed for expenses incurred in fulfilling their duties. During the year, David Frankish was paid £10,657 in respect of reimbursed expenses mainly relating to Home to Work (2018/19: £634).

Other Members' emoluments were in the following ranges:

	2020	2019
£0 - £5,000	**1**	-
£5,001 - £10,000	**2**	2
£10,001 - £15,000	**4**	5

No retirement benefits are accruing to Members under a defined benefits scheme nor do they receive any other benefits.

The average number of employees, including the Chair and Members, was:

	2020	2019
Administration	**34**	36
	34	36

Staff costs for the above persons were:

	2020 £'000	2019 £'000
Board Members - aggregate emoluments	**147**	137
Wages and salaries	**2,022**	1,951
Social security costs	**228**	211
Pension service costs	**271**	266
Total payroll cost	**2,668**	2,565
Less amounts capitalised during the year	**(678)**	(414)
Board Members and staff costs	**1,990**	2,151

The following number of employees received salaries in the ranges:

	2020	2019
£0 - £10,000	**4**	6
£10,001 - £20,000	**5**	6
£20,001 - £30,000	**2**	2
£30,001 - £40,000	**7**	9
£40,001 - £50,000	**3**	3
£50,001 - £60,000	**3**	3
£60,001 - £70,000	**1**	4
£70,001 - £80,000	**-**	2
£80,001 - £90,000	**2**	1
£90,001 - £100,000	**2**	2
£100,001 - £110,000	**1**	-
£110,001 - £120,000	**-**	1
£120,001 - £130,000	**2**	1
£130,001 - £140,000	**-**	1
£140,001 - £150,000	**-**	-
£150,001 - £160,000	**-**	-
£160,001 - £170,000	**2**	1
£170,001 - £180,000	**-**	1
£180,001 - £190,000	**-**	1
£190,001 - £200,000	**-**	1

Expenses

The total of expenses paid and reimbursed to Chair, Members and employees for travel and entertainment (including meetings) amounted to £16,574 in the year ended 31 March 2020 (2018/19: £26,372). The prior year reflects higher activity due to the redevelopment.

11 Taxation

	Note	2020 £'000	2019 £'000
UK Corporation Tax on (losses)/profits for the year		**-**	34
Potential tax charge for rollover relief		**1,900**	-
Adjustment to previous year's tax provision		**(34)**	(20)
Total current tax charge		**1,866**	14
Deferred tax - utilisation and reversal of timing differences	16	**164**	309
Total deferred tax		**164**	309
Total tax charge		**2,030**	323

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	2020 £'000	2019 £'000
Tax reconciliation		
(Loss)/profit before taxation	**(2,052)**	1,687
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 19% (2018/19: 19%)	**(390)**	320
Tax effects of:		
Expenses not allowable for taxation	**452**	12
Fixed asset differences	**116**	48
Adjustments to tax charges in respect of previous years	**(34)**	(21)
Income not taxable for tax purposes	**(118)**	(17)
Losses carried back	**34**	-
Adjustment for rollover relief	**1,900**	-
Other timing differences relating to employment retirement benefit obligations	**319**	(26)
Adjust closing deferred tax to 19% (2018/19: 17%)	**40**	(32)
Deferred tax (charged)/credited directly to equity	**(289)**	39
Total tax charge for the year	**2,030**	323

The UK government has announced that the standard rate of corporation tax will remain at 19% for the 2020/21 and 2021/22 tax years rather than decrease to 17% as previously announced. As at 31 March 2020 all such changes have been substantively enacted and have therefore been reflected in the calculation of deferred tax for the year ended 31 March 2020. We have received correspondence from HMRC with regard to the extension of the statutory reinvestment periods in relation to the provisional rollover relief claims on the Northern site sale in August 2017, which clarifies the guidance on the application for an extension and the timelines associated with the qualifying period. HMRC confirmed that there would be no assessment on the extension of the rollover relief period until 31 March 2022. Given this and the current uncertainty as to whether HMRC will agree to an extension at that time and the Authority's ability to incur sufficient qualifying expenditure within any timeframe permitted, a provision for the additional corporation tax due of £1.9m has been made.

12 Property, plant and equipment

	Freehold buildings £'000	**Leasehold buildings £'000**	**Plant, equipment & motor vehicles £'000**	**Mechanical & electrical £'000**	**Construction in progress £'000**	**Total £'000**
Cost						
At 31 March 2018	24,439	1,473	3,256	-	16,667	45,845
Additions	-	73	300	-	8,777	9,150
Transfers	988	-	283	-	(1,271)	-
Disposals	-	-	(21)	-	-	(21)
At 31 March 2019	**25,427**	**1,546**	**3,818**	**-**	**24,183**	**54,974**
Additions	409	-	123	78	5,869	6,479
Gain on completion of exchange transaction	-	-	-	-	490	490
Transfers	7,269	-	(13)	6,394	(13,650)	-
Disposals	-	-	(161)	-	-	(161)
At 31 March 2020	**33,105**	**1,546**	**3,767**	**6,472**	**16,892**	**61,782**
Depreciation						
At 31 March 2018	6,659	1,167	2,936	-	-	10,762
Charge for the year	392	-	178	-	-	570
Disposals	-	-	(21)	-	-	(21)
At 31 March 2019	**7,051**	**1,167**	**3,093**	**-**	**-**	**11,311**
Transfers	(170)	-	32	138	-	-
Charge for the year	381	-	379	373	-	1,133
Disposals	-	-	(161)	-	-	(161)
At 31 March 2020	**7,262**	**1,167**	**3,343**	**511**	**-**	**12,283**
Net book value						
At 31 March 2020	**25,843**	**379**	**424**	**5,961**	**16,892**	**49,499**
At 31 March 2019	18,376	379	725	-	24,183	43,663

Included in freehold buildings are assets fully funded by a grant from Defra; the cost of these assets amounts to £1.675m. The value of land not depreciated is £0.4m (2018/19: £0.4m). In 2020 a gain on completion of exchange valuation of £490k was recognised in respect of the assets which completed within the year. A gain on completion of exchange valuation of £2,795k exists in respect of incomplete assets and will be recognised in future years, providing no further changes arise to the valuation.

13 Trade and other receivables

Current trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**1,794**	377
Less: provision for impairment	**(597)**	(37)
Trade receivables, net	**1,197**	340
Amounts due from Defra	**2,558**	1,080
Other receivables	**605**	954
Less: provision for impairment	**(332)**	(100)
Other receivables, net	**273**	854
Other taxes and social security receivable	**213**	-
Prepayments	**134**	74
Development partner	**26,643**	30,381
Total current trade and other receivables	**31,018**	32,729

Non-current trade and other receivables

	2020 £'000	2019 £'000
Amounts due from Defra	**13,062**	-
Total non-current trade and other receivables	**13,062**	-

Trade receivables, other receivables, amounts due from Defra and the Development partner are all measured at amortised cost.

As outlined in detail in Note 1bi, a provision for impairment of trade receivables is established using an expected loss model. The Authority uses historical evidence on default levels alongside any current objective evidence that the Authority will not be able to collect all amounts due according to the original terms. The Authority considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired. Covid-19 has significantly increased the credit risk of trade receivables, with an average collection rate of 50-55% of receipts, as such expected credit losses are higher than would be expected using historical` evidence.

	2020 £'000	2019 £'000
Provisions for impairment of trade and other receivables:		
As at 1 April 2020	**137**	158
Impairment losses reversed	**(35)**	67
Uncollected amounts written off, net of recoveries	**(2)**	(88)
Receivables impaired in the year	**829**	-
	929	137

As at 31 March 2020, trade receivables of £0.6m were considered to be impaired (2018/19: £0.04m).

As at 31 March 2020, other receivables of £0.3m were considered to be impaired (2018/19: £0.1m).

As at 31 March 2020 trade receivables of £0.7m (2018/19: £nil) were past due but not impaired.
This relates to receivables that were all two to three months past due.

As at 31 March 2020 other receivables of £nil (2018/19: £nil) were past due but not impaired.

Due to short term nature of the receivables their fair value approximates to their carrying value per these accounts.

The Market redevelopment is being recognised as an exchange transaction, with the completed Market being received in exchange for the transfer of surplus land on the existing site. Upon transferring the Northern Site, the Authority had completed a significant proportion of the land sales required as part of the Development Agreement. To reflect the fact that most of the new Market has been paid for despite the construction still being in progress, £26.6m has been recognised.

14 Cash and cash equivalents

	2020 £'000	2019 £'000
Bank deposits - sterling	**84,037**	90,022
Cash at bank and in hand - sterling	**2,343**	1,470
	86,380	91,492

Included within cash and cash equivalents is £78.3m (2018/19: £79.5m) in respect of monies held for the progression of the development works in accordance with the Development Agreement. The amounts will be retained by the Authority until the conditions of the Development Agreement have been satisfied. The Authority has recognised a liability of £78.3m to reflect the nature of this arrangement.

See Note 17 for further information.

Cash balances of £2.2m (2018/19: £2.3m) are in respect of tenants and are held in individual interest-bearing accounts jointly in the name of the Authority and the respective tenants and represent refundable deposits paid on granting of the leases. The carrying value of cash and cash equivalents approximates to its fair value.

15 Employee retirement benefits

The Authority made payments to a defined contribution Pension Fund which it does not administer of £0.3m (2018/19: £0.2m).

The Authority operates a defined benefit scheme for certain employees, the assets of which are held in a separate trustee-administered fund. The scheme's assets are invested in a group pension contract insured with Clerical Medical Investment Group Limited. The pension cost relating to the scheme is assessed in accordance with the advice of an independent qualified Actuary employed by Mercer Limited, using the accrued benefit method of valuation and the projected unit method to determine the funding requirement triennially.

The most recent actuarial valuation at 5 April 2018 has been updated for IAS19 purposes as at 31 March 2020.

The scheme ceased the accrual of future benefits with effect from 31 March 2011. However, the salary link for Members who remain in employment with the Authority has been retained. This change has been taken into account in the 31 March 2020 IAS 19 calculation.

The Authority made contributions totalling £207,000 to this Defined Benefit Pension plan in the year to 31 March 2020.

The weighted average duration of the defined benefit obligation is around 18 years.

The scheme has a number of purchased annuities in respect of past retirements. To the extent that these match the relevant liabilities, the value has been excluded from both the assets and the liabilities, at each accounting date.

The IAS19 valuation was prepared by Rod Thouless - Fellow of the Institute and Faculty of Actuaries.

The scheme has money purchase Additional Voluntary Contributions (AVC) assets invested separately. These are understood to fully match the associated liabilities and so have been excluded from both the assets and liabilities.

The principal assumptions underlying the actuarial assessments of the present value of the plan liabilities are:

	2020 £'000	2019 £'000
Retail price inflation:	**2.8%**	3.5%
Salary escalation:	**3.8%**	4.5%
Increase to pensions in payment:	**2.8%**	3.4%
Increase in deferment:	**2.0%**	2.5%
Discount rate (pre and post retirement):	**2.4%**	2.3%
Mortality assumptions:		
Life expectancy at 65 at year end:		
Future pensioners - male	**110% PNA00**	110% PNA00
Future pensioners - female	**110% PNA00**	110% PNA00
Current pensioners - male	**110% PNA00**	110% PNA00
	MCMIN 1.5%	MCMIN 1.5%
Current pensioners - female	**110% PNA00**	110% PNA00
	MCMIN 1.5%	MCMIN 1.5%

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 4.5%
Rate of inflation	Increase of 0.25% p.a.	Increase by 8.8%
Rate of salary growth	Increase of 0.25% p.a.	Increase by 0.2%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 5.9%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth.

The plan typically exposes the Authority to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the Statement of Financial Position and may give rise to increased charges in future Income Statements. This effect would be partially offset by an increase in the value of the plan's bond holdings, and in qualifying death in service insurance policies that cover the mortality risk. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Authority to the plan for the period commencing 1 April 2020 is £211,000.

The asset distribution of the underlying investments were as follows:

	2020 %	2019 %
Fixed Interest Securities	**17.3**	19.3
United Kingdom Equities	**14.8**	20.6
Overseas Equities	**20.7**	23.5
Absolute Return Fund	**14.3**	13.5
Property	**18.3**	12.9
Debt	**8.0**	-
Cash	**4.1**	4.7
Other	**2.5**	5.5
	100	100

The assets and liabilities of the plan are as follows:

	2020 £'000	2019 £'000
Fair value of plan assets	**2,916**	3,119
Present value of Defined Benefit Obligation	**(3,871)**	(5,726)
Deficit in the plan	**(955)**	(2,607)

Analysis of the amounts charged to the Income Statement:

	2020 £'000	2019 £'000
Interest income related to plan assets	**70**	80
Interest expense on retirement benefit obligations	**(128)**	(140)
	(58)	(60)

There are no current service costs. The interest expense on retirement benefit obligations and interest income related to plan assets are included within finance costs.

Amounts recognised in the other comprehensive income, directly within equity, are as follows:

	2020 £'000	2019 £'000
Actual return less interest income on pension scheme assets	**(122)**	(163)
Experience gains and losses arising on the scheme liabilities	**190**	172
Changes in assumptions underlying the present value of the scheme liabilities	**1,452**	(238)
	1,520	(229)

The net movement in the Defined Benefit Pension scheme were as follows:

	2020 £'000	2019 £'000
Deficit in scheme at beginning of year	**(2,607)**	(2,469)
Contributions net of administration charge	**190**	151
Other finance cost	**(58)**	(60)
Actuarial gain/(loss)	**1,520**	(229)
Deficit in scheme at end of year	**(955)**	(2,607)

The movements in the present value of the plan assets were as follows:

	2020 £'000	2019 £'000
At the start of the year	**3,119**	3,202
Interest income	**70**	80
Actuarial losses	**(122)**	(163)
Employer contributions	**207**	168
Administration costs (excluding asset management costs)	**(17)**	(17)
Benefits paid out	**(341)**	(151)
At the end of the year	**2,916**	3,119

The movements in the present value of the plan liabilities were as follows:

	2020 £'000	2019 £'000
At the start of the year	**5,726**	5,671
Interest cost	**128**	140
Actuarial (gains)/losses	**(1,642)**	66
Benefits paid out	**(341)**	(151)
At the end of the year	**3,871**	5,726

The amounts for the current and previous four years are as follows:

	2020	2019	2018	2017	2016
Difference between actual return and interest income on scheme assets					
Amount (£'000)	**(122)**	(163)	(96)	(218)	(388)
Percentage of scheme assets	**(4.2%)**	(5%)	(3%)	(4.7%)	(8.7%)
Experience gains/(losses) on scheme liabilities:					
Amount (£'000)	**190**	172	145	294	376
Percentage of the present value of scheme liabilities	**4.9%**	3%	3%	3.8%	6.4%
Total amount recognised in Statement of Comprehensive Income:					
Amount (£'000)	**1,520**	(229)	420	(1,714)	839
Percentage of the present value of the scheme liabilities	**39.3%**	4%	7%	22.4%	14.4%
Total assets and liabilities of the scheme:					
Total fair value of scheme assets	**2,916**	3,119	3,202	4,673	4,455
Total present value of scheme liabilities	**(3,871)**	(5,726)	(5,671)	(7,639)	(5,815)

16 Deferred taxation

	2020 £'000	2019 £'000
Deferred tax assets	**523**	447
Deferred tax liabilities	**(1,312)**	(783)
	(789)	(336)

Main sources of temporary differences giving rise to deferred tax included:

	Capital allowances £'000	Tax losses £'000	Retirement benefit obligations £'000	Total £'000
At 31 March 2018	(486)	-	420	(66)
Charged to the Income Statement	(297)	-	(12)	(309)
Credited to other comprehensive income	-	-	39	39
At 31 March 2019	(783)	-	447	(336)
Charged to the Income Statement	(529)	334	31	(164)
Credited to other comprehensive income	-	-	(289)	(289)
At 31 March 2020	**(1,312)**	**334**	**189**	**(789)**

17 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**1,263**	228
Other tax and social security payable	**65**	97
Accruals and deferred income	**4,065**	4,440
Deposits from tenants	**2,189**	2,261
Development creditor	**78,348**	79,511
Amount due to Defra	**2,030**	2,030
Pension contributions	**40**	26
	88,000	88,593

The development creditor represents amounts held on behalf of our development within cash and cash equivalents, payments on account in respect to future construction costs and other liabilities associated with the development agreement and works. The Members consider that the carrying amount of trade and other payables approximates to their fair value. Trade and other payables are all measured at amortised costs with the exception of other tax and social security payable and deferred income.

18 Provisions

	2020 £'000	2019 £'000
At the start of the year	**-**	-
Charged in year	**14,890**	-
At the end of the year	**14,890**	-

£1,614m of above provision is a current liability and the remainder is a non-current liability.

There were two claims brought against the Authority that were ongoing for the 2019/20 financial year:

a The Authority first received a legal claim from the Tenants' Association and some of the tenant community during the course of the 2018/19 financial year. This claim challenged the legal basis for the handover of a part of the NCGM site to VSM as CGMA's development partner, per the contractual terms of the Development Agreement in place between CGMA and VSM. The claim was then amended during 2019/20 to include the logistical operability of the redevelopment project, and alleged deficiencies in the decision making processes employed by CGMA in relation to the redevelopment, based on CGMA's statutory and public law obligations.

b The Authority has entered into a Development Agreement with VSM (NCGM) Limited (VSM) for the redevelopment of NCGM. The Development Agreement provides a schedule for delivery of new buildings, coupled with mechanisms for payment, primarily being the transfer of land surplus to CGMA's requirements for the new Market, to VSM.

The Development Agreement contains milestones and obligations for both parties regarding the duration of the programme, timing of works, asset handovers, land transfers and maintenance of Market continuity. There is a high degree of interdependence in relation to these milestones, as is to be expected for a complex and long-term construction project. As with any construction project, there is the potential for either party to raise claims under the Development Agreement if these milestones are not achieved.

As a result of delays to the achievement of previous project milestones, some of which were connected to the litigation brought by the Tenants' Association described above, the overall duration of the project timeline has extended and this impacted on the timing of handover of certain assets by the Authority, compared to that originally set out in the Development Agreement.

During the course of 2018/19 both VSM and CGMA raised claims under the Development Agreement in relation to construction delays and handover of assets and these claims remained the subject of ongoing commercial negotiations as at 31 March 2020.

Resolution to both claims

Subsequent to the year end, the Authority reached agreements with both VSM and the tenants in full and final settlement of the outstanding claims. Funding for the tenant settlement was provided in part by Defra and the related debtor balance is reflected in the accounts.

- The tenant litigation was settled on terms that included changes to the development plans (subject to planning) and commercial terms, valued at £14.6m, relating to the basis on which tenants would be relocated to their new accommodation.

The dispute with development partner VSM was also settled, on terms that included postponing the vacant possession deadlines for the various phases in the Master Programme and amending the Development Agreement to provide greater control of pricing for future changes to the development programme or specification.

As a result of these settlements, the development is proceeding in accordance with the revised Master Programme. The Settlement Agreements have been reviewed and the conditions considered in relation to their impact on the financial statements for the 2020 financial year.

A £14.9m provision was included in the balance sheet at year end for the reimbursement of tenant legal fees, fit-out costs, design changes, installations, design fees and VSM settlement. Management has not identified any further impacts on the 2019/20 financial statements with other terms relating to future rental rates, rent-free periods and capital expenditure.

In the 2018/19 period it was not possible to estimate with any reliability any liabilities that may be due and so was disclosed as a Contingent Liability. However as we can now estimate the timing, probability and quantum a provision was recorded in the accounts, as detailed above.

19 Cash flow from operating activities

	2020 £'000	2019 £'000
(Loss)/profit before taxation	**(2,052)**	1,687
Net finance income	**(6)**	(20)
Operating (loss)/profit	**(2,058)**	1,667
Profit on disposal of fixed assets	**(77)**	-
Total depreciation charge	**1,133**	570
Net employer contribution after administration cost	**(190)**	(151)
Gain on completion of exchange transaction	**(490)**	-
Operating cash inflow before changes in working capital	**(1,682)**	2,086
(Increase)/decrease in trade and other receivables	**(15,090)**	1,716
Increase/(decrease) in trade and other payables	**14,297**	(1,663)
Net cash flow from operating activities	**(2,474)**	2,139

20 Future expected dividend payment

Following recent discussions with Defra, the Authority has an expectation that further dividends may be payable in the future subject to performance and availability.

21 Financial instruments

The limited powers of the Authority to borrow or invest surplus funds are set out in the Covent Garden Market Acts 1961 to 1977. As a result, financial instruments play a limited role in creating or changing risk. In general, financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the Authority in undertaking its activities.

The Authority's trade and other receivables and cash equivalents are classified as 'Loans and receivables', and trade and other payables are classified as 'Financial liabilities measured at amortised cost'. The carrying values of the Authority's loans and receivables and financial liabilities measured at amortised cost approximate to their fair value.

Liquidity risk

The Authority only invests its surplus funds in short-term deposits with clearing banks or building societies rated P1 and above, or Local Authorities. These short-term deposits are all readily convertible into cash. As a result, the Authority is not exposed to any significant liquidity risks.

Contractual maturity of the Authority's financial liabilities as at 31 March 2020 is as follows:

	2020 Trade and other payables £'000	2019 Trade and other payables £'000
On demand	**80,685**	83,141
Less than 1 month	**1,683**	3,639
1 to 3 months	**3,677**	285
3 to 6 months	**535**	1,423

Included in 'On demand' for the following period is the development account. The timing of payments to VSM under the development agreement is dependent on the delivery of the redevelopment activities.

Currency risk

The Authority does not engage in overseas trading and is not therefore exposed to significant currency risks.

Interest rate risk

All short-term deposits are invested at market interest rates. As a result, the Authority is only exposed to the interest rate prevailing in the market as a whole.

Interest rate profile

		2020 £'000			2019 £'000	
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
Cash	**-**	**2,343**	**2,343**	-	1,470	1,470
Short-term deposits	**81,316**	**2,721**	**84,037**	87,761	2,261	90,022
	81,316	**5,064**	**86,380**	87,761	3,731	91,492

Should floating interest rates decrease by 1%, potential profit and equity of the Authority for the year would decrease by £0.060m (2018/19: £0.080m).

Credit risk

The Authority has trade receivables at the year end and as such is exposed to credit risk. The Authority has policies in place to prevent bad debts and facilitate prompt collection of debts. Maximum exposure to credit risk equals the amount of trade receivables as shown in these accounts.

Trade receivables are considered in default and subject to additional credit control procedures when they are more than 30 days past due in line with industry practice. Trade receivables are only written off when there is no reasonable expectation of recovery due to insolvency of the debtor. Twelve month and lifetime expected credit losses are estimated based on historical loss rates for the relevant country, adjusted where evidence is available that different rates are likely to apply in the future. This is based on changes to the expected insolvency rates in the relevant countries.

See Note 13 for more detail.

Other market risks

The Authority is exposed to price risk on purchasing goods and services in the normal course of its business. However, such goods or services are clearly of an auxiliary nature to the Authority's operations and are not subject to any specific risks other than general inflationary growth. The Authority may pass the relevant risks to its tenants while negotiating terms with them. As such the Members believe that the Authority's exposure to other market risks is insignificant.

Capital risk management

The Authority's objectives when maintaining capital are to safeguard the Authority's ability to continue as a going concern and maintain an optimal capital structure.

The Authority defines capital as being the Reserve Fund and Retained Earnings. The Authority is not subject to any externally imposed capital requirements apart from the Covent Garden Market Acts1961 - 1977.

22 Operating lease commitments

Lessor: The future minimum lease payments receivable under non-cancellable leases are as follows:

	2020 £'000	2019 £'000
Within 1 year	**2,727**	133
Within 2 - 5 years	**3,495**	600
After 5 years	**4,052**	1,298

23 Related party transactions

Under provisions of IAS 24 Related Party Disclosures, the following parties are regarded as related parties of the Authority:

Parties exercising control over the Authority or are under common control with the Authority

The Authority is classified as a Public Corporation, which operates under a management agreement with Defra. It has substantial day to day operating independence, but in the view of the Board of the Authority, the ultimate controlling party is Defra.

In 2004 Defra approved a capital grant of £1.675m for capital works to be performed in the years 2004/05 and 2005/06.

At 31 March 2020, all of the grant had been received and expenditure incurred.

See Note 1n in respect of a cost of capital charge of £2.0m (2018/19: £2.0m) and associated subsidy of £1.1m (2018/19: £1.2m).

See Note 18 for details of the provision recorded (£14.9m) in relation to settlement costs which Defra have committed to fund and for the details of the receivable due from Defra (£14.6m).

Key management personnel remuneration totalled £1,047,111 (2018/19: £998,077).

Post employment benefit plan for the benefit of employees of the Authority

See Note 15 for details of transactions and balances with the pension plan.

24 Capital commitments

Development costs

At 31 March 2020, under the Development Agreement, VSM has option agreements over CGMA surplus land, including the Apex site, Entrance site and Thessaly Road site, which total approximately 8.5 acres and are still to be drawn down.

The transfer of these parcels of land will represent the final element of CGMA's payment to the developer in respect of the redevelopment of the Market.

25 Events after the reporting period

As noted in Note 18, following the end of the financial year, the Authority obtained support and financial backing of Defra as sponsoring department within Government, to enable the tenant litigation and the VSM dispute to be settled. Included in the settlement terms was the postponement of the deadline for vacant possession of the first phase for demolition to 18 January 2021. This was delivered on time on 18 January 2021, and demolition works are progressing on schedule.

The Authority was restructured, with the redundancy of the roles of Chief Executive Officer, Property Director and Finance Director. Further restructuring and redundancies took place in the Authority's Tenant Facing and Strategy, Partnerships and Communications teams. These processes aimed at realigning the Authority with its statutory purposes, and creation of a flatter, more agile management structure.

A Framework Agreement, providing guidance as to the management of the relationship between the Authority and Defra as its sponsoring department within Government was agreed and duly signed by the Authority. It received Government approval in January 2021.

The Authority continued to be affected by the restrictions imposed by Government to tackle the Covid-19 pandemic throughout the post Balance Sheet period, with receipts of rent from tenants running at approximately 50% of what was due over the period. The Authority sought to address tenant hardships in a number of ways, including advising tenants on accessing Government funding, agreements to postpone rent and service charge payment obligations, service charge rebates to reflect reduced estate running costs, and a proposal to forgive a month's rent as an incentive to regularise arrears by entering into payment plans. The Authority's ability to enforce debt recovery was also severely restricted during this period, and the Authority adhered rigorously to Government guidance to commercial landlords in light of the Covid-19 pandemic.

To mitigate the dramatic impact on the Authority's cash flow arising from the Covid-19 restrictions, financial support was sought and £5.019m was obtained from Defra in 2020/21.

The Authority's Management Appendix I

The Authority's key staff members as at 31 March 2020 were as follows:

Daniel Tomkinson	Chief Executive Officer (left 30 September 2020)
Jo Breare	Commercial Operations Director
Rebecca Barrett	Communications & Marketing Director
Mark Weatherald	Property Director (left 31 August 2020)
Tony O'Reilly	Project Director
Mark Ewing	Finance Director (left 31 December 2020)

Finance

Christienne Simon	Financial Controller (left 30 September 2020)

Operations

Colin Corderoy	Operations Manager

Property

Richard McAuley	Property Manager


Italian Beauty
Driscoll's

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