coventgarden

market authority

58th Report & Accounts 2018/2019

Covent Garden Market Authority

Report and Accounts for the accounting period from 1 April 2018 to 31 March 2019

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

Price £10.00

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The Report & Accounts

Appendices

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Auditors
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About Covent Garden Market Authority

Covent Garden Market Authority (CGMA) owns and runs New Covent Garden Market (NCGM) 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 and it receives no direct public funding.

£5.7m
Rental income

36 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.

Brand New Covent Garden Market

CGMA in partnership with VINCI St. Modwen (VSM) is rebuilding 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 New Covent Garden Market 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.

New Covent Garden Market 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 2019 the redevelopment project yielded the following milestones:

- The relocation of several key tenants from their former home in the existing Fruit & Vegetable Market buildings to the 'Interim Distribution Unit' located in the ground floor of the Food Exchange building which was completed during the previous financial year.

- This in turn facilitated the relocation of around 100 commercial vehicles owned by the tenants concerned and thus enabled VSM to commence construction work on four acres of land formerly known as the South Vehicle Car Park, demolishing the Old Irish Dock, breaking up the concrete and commencing construction for two of the new trading blocks that will house Fruit & Vegetable Market tenants. Construction has since progressed well and the steel frames for the blocks in question are now built, roofed and partially clad in the finished material. These blocks are programmed to complete in November 2019, when tenants will be in a position to start fitting out their brand new premises as they wish, subject to CGMA's acceptance of their design approach and compliance with building regulations and insurer's requirements, with a view to commencing trading from these new locations in April 2020.

- Construction of the new Security Lodge at the entrance to the Market commenced in August 2018 and reached Practical Completion in June 2019. This has allowed the Operations teams in control of the security, cleaning and waste functions provided on the Market to move into their brand new premises and thus has allowed the demolition of the office block known as Link House to be suitably planned and executed, bearing in mind the close proximity to the busy Network Rail lines into Waterloo.

- The demolition of the Western Link Bridge between the existing Fruit & Vegetable Market trading buildings commenced in March 2019 and is on course for demolition during the second half of 2019 in good time for the next phase of work, which will start in April 2020.

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

Highlights

CGMA Revenue | up .
£1 . /18 | £1 . /19

Total NCGM Turnover | up 1%
£626m 2017 | £631m 2018

Total Tra i | up 2 p i
90% let 2018 | 92% let 2019

General Ser i
1 . /18 | 1 . /19

Total Volumes of Recycled Waste (tonnes) | up 11%
15,620 2017/18 | 17,271 2018/19

Covent Garden Market Authority's (CGMA) Performance

Revenue from normal trading activity was £16.6m, up from £16.5m in 2017/18. Income from tenants increased from £4.7m to £5.0m, reflecting the welcome impact of the Food Exchange building becoming almost fully let towards the end of the financial year. The number of core trading tenants in the Fruit & Vegetable and Flower Markets has remained fairly constant.

New Covent Garden Market (NCGM) Trade

Total NCGM turnover of £631m saw an increase of 1% on the previous year.

CGMA's Key Performance Indicators

Occupancy Rate: Total Trading Area

Occupancy of core trading space increased slightly to 92% compared with 90% for the prior year. Occupancy for the Fruit & Vegetable Market remained the same, at 93%, as at 31 March 2019.

The Flower Market continues to be 100% let.

The new Food Exchange building was 78% let as at the year end, with the expectation that it would be fully let early on during the 2019/20 financial year.

General Service Charge (GSC): £ per sq ft

The GSC for the year was £16.02 per sq ft, after a rebate of £1.83 from the initial expectation of £17.85 per sq ft. This compared to £15.07 for the previous year. The increase reflects the continued price pressures experienced in recent years, principally from labour costs and waste transport costs.

Environmental Performance

The total volume of all waste handled increased by 11% to 17,271 tonnes. Waste to energy represents just over half of the waste handled and recycled waste for organic feed is just over a quarter of waste handled. Managing waste is one of the larger challenges that the Authority faces, however the new recycling facility has aided in ensuring that any increase is kept to a minimum.

Key Events

The financial year ended 31 March 2019 saw the commencement of construction activity on the new Fruit & Vegetable Market buildings as part of the redevelopment project, the first of which are scheduled to be in occupation from next financial year.

Lettings for office studio space in the Food Exchange building, completed during the prior year, progressed well this year and the facility is fast becoming an important centre for entrepreneurial businesses. This reputation will be further enhanced during 2019/20 when the shared production kitchen space on the first floor of the building is scheduled to be opened by Mission Kitchen, with whom CGMA signed lease and service level agreements this year. 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.

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

10 July 2019

Dear Secretary of State

In accordance with Section 46 of the Covent Garden Market Act 1961, I submit the Report of the Covent Garden Market Authority, incorporating a Statement of Accounts drawn up in accordance with your directions, for the fifty eighth accounting period ended 31 March 2019.

The last year has seen more significant progress made towards the redevelopment of New Covent Garden Market. In October 2018 construction started on the new Fruit & Vegetable Market buildings, with occupation for the first of these scheduled for early on during the 2019/20 financial year.

In addition, good progress has been made on letting office studio space in the Food Exchange building which has established itself as a centre for entrepreneurial businesses connected with the food industry and which is the first element in our delivery of a new Food Quarter for London.

Our primary objective remains the task of delivering the complex redevelopment project in a manner which ensures business continuity for our tenants.

This project relies on the support of our many stakeholders and the commitment of both my Board and the CGMA staff. I would like to express my thanks to all, who have the best interests of the Market at heart.

David Frankish

Chair

Secretary of State for Environment, Food and Rural Affairs
Seacole Building
2 Marsham Street
London
SW1P 4DF

Chair's Statement

David Frankish, Chair

Since joining CGMA in February 2019, I have had the pleasure of spending a number of nights in the Market getting to know the businesses and the people here. There are two things that have struck me. First is the incredible quality and variety of produce that you find displayed throughout the Market, which is truly unrivalled. Second is the tremendous passion and pride that the Market's traders have for their businesses and for New Covent Garden Market. This is a world-class Market and our exciting redevelopment is fundamental to ensuring our traders can operate within a flexible business enhancing physical space in the very heart of London.

Over the last year a key milestone in the redevelopment has been the start of the construction of the new, modern Fruit & Vegetable Market. With only a year to go before Phase One Fruit & Vegetable Market tenants move into the first new buildings, they have been assessing their new units in order to prepare individual fit-out plans.

> **" ...the tremendous passion and pride that the Market's traders have for their businesses and for New Covent Garden Market"**

Since joining I've visited the bustling Flower Market on several occasions and am always impressed by the vibrant eye catching displays of colourful flowers, foliage, plants and sundries. Last year our annual celebration of the wealth and variety of British cut flowers and foliage, 'British Flowers Week', was delivered in partnership with the Garden Museum and reached millions across the UK. Another high energy and exciting building is our Food Exchange. A hive of innovative, ambitious and entrepreneurial businesses, the Food Exchange has its own sense of community who together are helping to lay the foundations for London's Food Quarter.

Next year, we are looking forward to welcoming Mission Kitchen who will occupy the entire first floor of the Food Exchange. With the support of a £3m grant from the Greater London Authority, we are partnering with Mission Kitchen to create London's largest shared kitchen, offering flexible kitchen rental space to start-ups and medium sized food businesses.

A key highlight in our community activity this year was our significant involvement in Art Night, the largest free contemporary arts festival in London which came to Nine Elms. We welcomed 3,000 new visitors to the Market in one night, providing us a glimpse into the future when as London's Food Quarter we will regularly welcome a wide array of visitors. One of our visitors this year was our near neighbour, American Ambassador Johnson. Daniel and I welcomed the Ambassador to celebrate American Sweet Potato Week with a viewing of American sweet potatoes on the Market, followed by sweet potato fries in the Market Café.

Finally, on behalf of all the staff here at CGMA I'd like to extend warm thanks and gratitude to my predecessor Pam Alexander, OBE. During her two terms as Chair, Pam successfully led the redevelopment of New Covent Garden Market taking the project from planning to construction. I am honoured and excited to have taken over as Chair and look forward to playing my full part in the creation of a modern wholesale Market with a new Food Quarter for London here at Nine Elms.

Chief Executive's Review

Daniel Tomkinson, Chief Executive

The financial results for the year show a strong position with a profit after tax of £1.4m, which was aided by the receipt of two one-off income items and by efficient management of costs. Whilst this is positive news, I am acutely aware of the current and upcoming strains the redevelopment project puts on the business. This extra income will help us to manage our finances as our ability to generate ancillary income throughout the redevelopment remains limited.

Rental income from our tenants was up slightly this year from £4.7m to £5.0m. This increase is mainly due to the opening of our new asset, the Food Exchange, which experienced its first full financial year after it opened in February 2018, and which is now fully let. The food and beverage start-up community has embraced the Food Exchange as their home and we are fast building the most important community of food entrepreneurs in the UK. The opening of Mission Kitchen at the Food Exchange in the next financial year will further cement that position.

New Covent Garden Market is the largest fresh produce Market in the UK and home to 175 businesses who each play a vital role in keeping London fed with wonderful fruit and veg, and looking beautiful with incredible flowers and plants. This year our tenants' turnover at the Market was up slightly on last year, from £626m to £631m. Trade in the Flower Market was up 9% on the previous year and it's encouraging to see that two years after moving into its new, interim home, the Flower Market is thriving.

" ...two years after moving into its new, interim home, the Flower Market is thriving."

After a pause of one year caused by construction delays, in October 2018 we started work to build our new Fruit & Vegetable Market; a major milestone for the redevelopment project. We have spent 24 months working with our tenants and advisors to ensure disruption is kept to a minimum and that the businesses here can operate safely throughout. We know that adapting to change is not easy and we have worked to ensure operational continuity for our tenants in the context of an extended construction programme. This was the largest change to the layout of the Fruit & Vegetable Market experienced by our Market community in the 45 years since the Market moved to Nine Elms. I'm thankful that we have overcome the challenges and that both trade and the construction programme are doing well.

Throughout the year we have been working closely with government departments and industry bodies to prepare the Market and our traders for the potential impact of Brexit. As at the time of writing, uncertainty remains as to what that impact will be and we continue to monitor the Brexit discussions and remain in close contact with the relevant organisations.

Looking ahead to next year, much of our time will be spent working with our tenants who will be the first to move into their new units in the Fruit & Vegetable Market and preparing for the subsequent construction phases. This is a complex redevelopment project with ongoing operational challenges. I feel confident after the success of this year that we can continue to build a world-class Market for tomorrow whilst continuing to deliver a good service for our tenants today.

Daniel Tomkinson

New Covent Garden Market Trade

New Covent Garden Market is London's original and finest fresh food and flower Market - feeding and flowering the capital daily. It is the largest fruit, vegetable and flower wholesale Market in the UK.

170 companies trade **fruit, vegetables** and **flowers** but also **dairy, meat, fish, ice** and **gourmet ingredients.**

175	2500	£631m
businesses	employed	NCGM turnover 2018

Note: these figures are based on a like for like basis, i.e. companies that were trading in the reported year are compared to those trading in the previous year.

Turnover £m	2017	2018	% change
Fruit & Vegetable Wholesalers	179	181	+1.1
Fruit & Vegetable Wholesale Distributors	225	226	+0.4
Flower Market	44	58	+9.1
Other Food Companies	68	66	- 2.9
Importers	110	110	
Total	626	631	+0.8

Fruit & Vegetable Wholesalers

Selling **160** varieties of fruit and **180** varieties of vegetable - from apples to zalacca, from asparagus to yams.

Fruit & Vegetable Wholesale Distributors

Daily deliveries
often more than once a day.

Prepared produce
peeled, sliced, diced, juiced and an extended product range from frozen to morning and dried goods.

NCGM is the only Market in the UK to have a complete **Red Tractor** supply chain.

Flower Market

The **only** dedicated flower and plant wholesale Market in the UK.

Offering the **best of the world** and the **pick of British** flowers, foliage, plants and accessories.

Other Food Businesses

Turnover for this sector was reduced to £66m.

Importers

Various **importers, agents and service providers** are based at NCGM and the value of this trade is estimated to be some £110m.

Management Report

Core F&V Market
93% let 2018 | 93% let 2019

Inte i lower Market % Let
100% let 2019

Total Volumes of Recycled Waste (tonnes) | up 11%
15,620 2017/18 | 17,271 2018/19

Lettings

The 2018/19 financial year saw another strong performance from Covent Garden Market Authority's property portfolio.

Occupancy of the core trading space was in line with recent years' performance, at 92%, with all key areas of the estate holding up well throughout the year.

The Flower Market remained fully let throughout the year, a significant achievement for tenants and CGMA alike.

The office space in the Food Exchange building was 78% leased as at the year end, with an additional 10% committed for commencement in April; a particularly pleasing result for this recently added asset class and a demonstration of both the resilient nature of demand for London's burgeoning workspace and the foresight shown by CGMA in seeking to provide this space.

Hard work from occupiers coupled with effective estate management ensured another strong year for the Fruit & Vegetable Market, with 93% leased at year end.

The challenges presented by maintaining a 'live' site whilst the redevelopment project is ongoing continue to be overcome well by all relevant stakeholders. As was the case last year, the vast majority of void space is the result of withholding an element of trading capacity in order to manage traffic volumes as the redevelopment progresses.

Other Income

During the year the amount of Market land undergoing redevelopment construction activity increased further, effectively eliminating opportunities to generate ancillary income from parking for the remaining course of the project.

Income from the weekly Nine Elms Sunday Market ('Sunday Market') operated by Saunders Markets Ltd., has not been impacted this year, which is testament to the level of co-operation between the tenant community and the Operations team at CGMA. The revenue generated from the Sunday Market held steady at £1.0m. CGMA recognises the importance of the Sunday Market to the local community and intends the operation of the Market to continue throughout the course of the redevelopment project. However, it is recognised that the compression of available space as a result of the redevelopment work continues to present a challenge to maintaining this important income stream.

During 2018/19 CGMA also benefitted from several items of non-recurring income relating to access rights and short-term letting activity related to neighbouring development activity, which totalled £0.7m.

Cleaning & Recycling

Cleaning and waste management is contracted to Interserve Ltd. Tenants are encouraged to perform a primary sort of waste initially before a secondary segregation is carried out at the waste compound. Fruit & Vegetable Market tenants are charged for the waste that they generate through a 'Pay as You Throw' system.

CGMA treat all waste through sustainable systems, with none sent to landfill. Total waste for the year was 17,271 tonnes compared to 15,620 the previous year. The volume of organic waste has increased, reflecting the growth of businesses undertaking food preparation within the Market community. This also affects other waste streams, however to a lesser degree. Waste to energy and organic waste account for over 80% of all the waste processed, with the remaining volume recycled.

Tenants and customers are advised of the environmental and cost implications of waste for their businesses on a regular basis. With support and some limited enforcement measures they generally participate in site-wide initiatives to segregate and process waste accordingly.

Security

Security services continue to be provided by OCS Group UK Ltd. Security operatives are trained and qualified to carry out traffic management, site enforcement and first line response procedures, amongst other duties.

Redevelopment activity during the year has necessitated an increased level of security provision in specific areas. Altered traffic movements due to development land requirements across the site have resulted in a need to manage vehicle movements to avoid congestion and operational issues. The levels are constantly reviewed to ensure appropriate provision within the context of the work undertaken on site at any given time.

Maintenance & Capital Works

Maintenance on the old Market buildings is managed carefully to address operational functionality and regulatory requirements. Careful consideration is required due to the ageing infrastructure and fabric and impending demolition as part of the redevelopment. On the new buildings, maintenance programmes are developed to protect equipment warranty and retain compliance and operational efficiency. Maintenance is provided by external and outsourced contractors.

During the year capital expenditure, excluding development related items, was £0.4m (2017/18: £0.3m).

Service Charges

The running costs of NCGM are covered through the General Service Charge (GSC). Each year the costs of running NCGM and the GSC budget is reviewed with the tenant community at the Market Finance Committee. The GSC costs are allocated to tenants based on square footage used, with CGMA being responsible for GSC on units not let.

Special Service Charges are also levied on Flower Market tenants for services specific to that Market, which includes Market Support Operatives, temperature and humidity control.

The GSC for the year was £16.02 per sq ft, after a rebate of £1.83 from the initial expectation of £17.85 per sq ft. This compared to £15.07 for the previous year. The primary components of the GSC are labour costs for waste management, cleaning and security. CGMA seeks to keep maintenance costs to a minimum despite the aged infrastructure.

GENERAL SERVICE CHARGE

Where your money goes when you pay your General Servi

The largest proportion of the GSC continues to be cleaning and general waste. CGMA continues to work with the tenant community to achieve an effective and efficient waste management system.

Health & Safety

CGMA continues to work closely with various tenant representatives across the Market community, our development partner and also local bodies to encourage best-practice health and safety measures across the site. It is very important, particularly in light of major site changes, that all Market users work collaboratively to continue to make health and safety paramount.

CGMA remains responsible for health and safety within public areas of the Market, while tenants are responsible for their own premises. Areas of the site currently under construction as part of the Market redevelopment project remain the responsibility of the development partner once the space has been assigned to them.

During the year there were 38 incidents on site reported to, or recorded by, CGMA security. This figure compares to a total of 32 incidents the previous year. The increase is attributable to higher volume of personal property damage and illness incidents, including two heart attack fatalities.

A total of eight vehicle and two minor fork lift truck incidents took place on site (2017/18: 14), none of which were reportable in compliance with RIDDOR. These statistics are in the context of over one million vehicle movements across the entirety of the financial year. CGMA monitor and improve traffic and wayfinding routes to manage the interaction of vehicles and pedestrian movements across the site. Market users are notified in advance of any alteration of marked walkways and vehicle routes for the redevelopment, with traffic marshals and signage stationed at vantage points to manage vehicle movements and minimise hazards.

The redevelopment has reached a total of 1,200,000 hours worked and 702,000 since the last RIDDOR accident in March 2018. This equates to an Accident Frequency Rate (AFR) of 0.

Environment

CO^2 E ı i | down 22%
6,965 2017 | **5,384** 2018

CGMA is committed to reducing the carbon footprint of the Market areas it is responsible for, despite the age of the infrastructure. These areas now comprise the original buildings and the communal areas and shared services in any of the new buildings. Tenants now have responsibility for energy consumption within their occupied demise in all new buildings. As the new, more energy-efficient buildings are constructed, CGMA's consumption profile will continue to decrease and the reduction in CO^2 reflects this. CO^2 produced by gas and electricity during 2018/19 was 5,384 tonnes compared to 6,965 tonnes the previous year, a decrease of 22%. Both gas and electricity consumption reduced by 22%.

Promoting the Market

Throughout the year, CGMA ran a number of initiatives to drive footfall to and awareness of the Market. This included running British Flowers Week, taking part in Art Night, the London Festival of Architecture and the London Produce Show, and running a bursary competition for food start-ups to raise awareness of the recently-opened Food Exchange. As well as extensive media coverage in both trade and consumer press, effective promotion is carried out on social media across a number of different platforms.

Local Community & London

CGMA continues to support a number of local projects and organisations via its Community Fund. The fund continues to support City Harvest and Floral Angels, two charities that CGMA has worked with for a number of years. City Harvest is a food redistribution charity feeding disadvantaged people. Floral Angels recycle and repurpose flowers and deliver them to those in need in the community. CGMA also continues to work with Westminster Kingsway helping to teach the next generation of chefs.

Stakeholder Engagement

CGMA actively engages with stakeholders to promote the Market's role in London. In the year, CGMA hosted visits from a number of notable figures including David Rutley MP, Parliamentary Under Secretary of State for Food and Animal Welfare, Robert Johnson, US Ambassador to the UK, and Guy Opperman MP, Parliamentary Under-Secretary of State at the Department for Work and Pensions.

Financial Report

The financial results for the year continue to show a profitable position, with the surplus for 2018/19 before redevelopment activity increasing by £0.7m on the prior year, to £1.9m, primarily due to the receipt of some non-recurring income items. This income will be used over time in order to assist the Authority in managing the impact of the redevelopment project on the business' finances. This dynamic will continue during the remaining duration of the project, as the capacity to generate ancillary income remains very limited, whilst cost pressures remain.

The profit for the financial year after tax was £1.4m.

During the year CGMA also paid a net cost of capital payment of £0.95m to Defra.

Accounts Presentation

The Authority's Accounts are presented in a form directed by Defra and approved by HM Treasury. The presentation adopted is the recommended format. The Accounts have been prepared under International Financial Reporting Standards. They continue to be presented under the historical cost convention as modified by the 1977 valuation of the Authority's properties.

Revenue

Total revenue during 2018/19 increased marginally, from £16.5m in the prior year to £16.6m. This included several items of non-recurring income totalling £0.7m, relating to access rights and short-term lettings. The effect of these income items, when comparing revenue year-on-year, was sufficient to offset the fact that revenue was also boosted during 2017/18 by non-recurring revenue items. These mainly related to the release of deferred income previously capitalised in respect of costs reimbursed by various counterparties due to property transactions in prior accounting periods.

In summary therefore, the underlying core operating business continued to generate income in a similar manner to the prior year.

Rents from tenants increased marginally during the year to £5.0m (2017/18: £4.7m).

The GSC, representing costs recovered from tenants, was £8.2m (2017/18: £7.4m). The increase on the previous year's figure primarily relates to the impact of labour pay increases and increased waste disposal costs.

Income from car and coach parking declined by 35% to £0.2m (2017/18: £0.3m), a continuing trend from prior years, as a result of the reduction in available space.

By contrast, Sunday Market income again proved resilient, with revenue holding steady at £1.0m, which mirrored the very strong performance in the previous year. This reflects not only the continuing value that the local community place on the Sunday Market but also the Authority's efforts to manage this important income stream efficiently with the space available as the redevelopment project progresses.

CGMA is subject to an annual cost of capital charge from Defra, but it also receives a subsidy towards the cost of capital charge from Defra. The effect of the charge and subsidy is a net cost of £0.95m for the year, an increase from £0.6m in the previous year which reflects the fact that no dividend payment was made during 2018/19.

Operating Costs

Staff costs for the year decreased by 5.2% to £2.2m (2017/18: £2.3m). This decrease reflects accounting treatment in relation to staff costs associated with the redevelopment project, which offset the increase in total payroll costs seen as a result of pay rises and a change in the staff mix during the year. The average number of employees decreased by two during the year, from 38 during 2017/18 to 36 for 2018/19.

Operating costs, excluding staff costs, increased by 2.0% to £11.0m (2017/18: £10.7m). Cost increases in the areas of security, cleaning and waste disposal and insurance were partly mitigated by decreases in other costs, most notably lower utilities and publicity expenditure.

During 2017/18 over £0.7m of operating costs related to items that were reimbursed to CGMA due to their association with the redevelopment project (see comment under revenue section above), which did not reoccur during 2018/19. However, increased void costs borne by CGMA as the Food Exchange building was being let during the financial year, when coupled with the cost increases summarised above, meant that the effect was offset when comparing year-on-year costs.

Depreciation charges decreased by £1.1m for 2018/19, to £0.6m, compared to the figure of £1.7m charged during 2017/18. The prior year figure reflected the effect of a number of assets being fully written down to nil net book value at the end of their useful economic lives. In addition, as revenue on costs reimbursed decreased significantly year-on-year, so too did the depreciation on their corresponding assets. Depreciation charges during the next few financial years are expected to grow steadily as the book value of new assets capitalised as part of the redevelopment project increases.

Result for the Financial Year

The profit for the financial year was £1.4m. This compares to £102.1m during 2017/18, which reflected a substantial accounting profit relating to the disposal of the Northern site as part of the redevelopment project.

Operating profit before Redevelopment Project costs was £1.9m (2017/18: £1.2m), an increase on the previous year due primarily to the receipt of the non-recurring income items described above.

Redevelopment Project costs remained steady at £0.3m (2017/18: £0.3m), reflecting staff costs related to the Project team that were not capitalised during the year. £2.1m of other costs related to the redevelopment have been capitalised as well.

Corporation tax for the year was a charge of £0.3m (2017/18: of £13.3m), with the prior year figure reflecting the impact of the sales of the Northern site after the application of rollover relief on the proceeds thereof.

During the year no dividends (2017/18: £36.3m) were paid to Defra. The prior year amount consisted of a £0.25m dividend in respect of underlying profit and a special dividend of £36.1m following the sale of the Northern site. During 2018/19 the increase in the net cost of capital payment to Defra reflected the fact that no dividend payment was made in the year.

Pension Fund

The Accounts are prepared in accordance with International Accounting Standard 19, the IFRS accounting standard which relates to accounting for pension funds.

As at 31 March 2011, the Authority's defined benefits scheme ceased the accrual of future benefits. The Authority continues to make a monthly contribution to reduce the existing deficit in the scheme. The valuation in compliance with IAS 19 as at 31 March 2019 generated an actuarial loss in the year of £0.2m, this is due to the effect of changes in financial assumptions. As a result, the deficit year on year has increased by £0.1m to £2.6m (2017/18: £2.5m). The Authority agreed during the year an increased profile of employer contributions with the Trustees of the Pension Fund to take effect from April 2019, which are designed to eradicate the deficit.

From 1 April 2011, the Authority introduced a new defined contribution personal pension scheme available to all staff.

Net Cash Flow

The level of cash and cash equivalents for the year decreased by £8.2m to £91.5m (2017/18: £99.7m), which was primarily due to the payment of corporation tax liabilities and investment in capital expenditure. This amount includes £79.5m 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.

Also included in the total cash and cash equivalents is £2.3m (2017/18: £2.2m) in respect of monies held on behalf of tenants.

Capital Expenditure & Fixed Assets

Capital expenditure during the year totalled £9.2m (2017/18: £48.9m). This related 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 despite construction still being in progress, £30.4m has been recognised as a debtor balance (2017/18: £35.6m) from our development partner, as per the table in Note 13 to the accounts.

The book value of tangible fixed assets, allowing for additions and disposals and adjusting for fully written off assets, but before allowing for depreciation charges, was £55.0m. It is the Authority's opinion that the Market value of the Market land and buildings exceeds the book value shown in the Accounts.

Total Equity

The total comprehensive income for the year resulted in an increase in the value of net assets to £76.3m (2017/18: £75.1m).

Key Performance Indicators

Operational key performance indicators covering performance on property management and Market operations are included in the Management Report on pages 12 to 14. Performance on delivering the redevelopment project is also closely monitored.

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 profit made in the financial year 2018/19 and in previous years, notwithstanding the losses made in certain prior years, it is considered, taking one year with another that the requirement has been met.

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 and loss account 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 Chief Executive 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 Chief Executive.

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 draft Framework Document.

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.

It is the Authority's policy to recognise best practice in financial reporting and corporate governance, having regard to the UK Corporate Governance Code issued by the Financial Reporting Council, insofar as these are appropriate to a small statutory corporation and consistent with the requirements of the Covent Garden Market Acts.

The Authority's Board

CGMA is governed by a Board comprising a Chair 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.

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

	Board	Audit & Risk	Finance & Strategy	Remuneration
Total number of meetings	**10**	**4**	**3**	**2**
Pam Alexander (left 31.01.2019)	7/7	-	-	2/2
David Frankish (joined 01.02.2019)	3/3	-	-	-
Bill Edgerley	8/10	-	3/3	2/2
Nigel Jenney (left 16.01.2019)	5/7	-	2/2	-
John Lelliott	7/10	4/4	-	2/2
Sir Edward Lister	8/10	-	2/3	-
Archie Robertson	10/10	4/4	-	-
Sara Turnbull	7/10	3/4	-	-
Teresa Wickham	10/10	-	3/3	-

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. The Chief Executive attends meetings as well as other appropriate Members of the Authority. The Committee met four times during the year 2018/19. 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.

Finance & Strategy Committee

The Finance & Strategy Committee comprises four Members of the Board. Membership at the year-end consisted of Bill Edgerley (Chair), Teresa Wickham and Sir Edward Lister.

The Committee reviews, recommends to the Board for approval and monitors the Annual Budget and the Business Plan which supports it, and the Long Term Business Plan. The Committee also reviews and provides recommendations to the Board in respect of various projects considered by CGMA.

Remuneration Committee

The Remuneration Committee comprises three Members of the Board. Membership at the year-end consisted of Bill Edgerley (Chair), David Frankish and John Lelliott.

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

CGMA is in an unconditional contractual relationship with VINCI St Modwen (VSM) related to the redevelopment of a renewed Market estate.

During 2018/19 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.

CGMA has put together a team of professionals and specialist advisors to work closely with the staff of CGMA to manage the redevelopment.

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. Any such view must take account of the pressing need for substantial investment in the Market's facilities. The contract with VSM is unconditional and 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. As a result, the rebuilding of the Market should be secured: further detail is supplied in the section on Risk Management below. It is therefore the opinion of the Authority's Board 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 2019 and up to the date of approval of the Report and Accounts, and accords with HM Treasury guidance.

The Authority's internal auditors operate in accordance with Government Internal Audit Standards. They submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Authority's system of internal control together with recommendations for improvement for the year under review.

Risk Management

The diagram below sets out the overall approach to 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 senior management 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.

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.	↔	↔
Reputation and confidence 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.	By developing a close co-operative working relationship with VSM such that any issues are addressed effectively and in timely way, whilst ensuring the specification and quality control process is adhered to as defined in the Development Agreement.	↔	↔
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 the development partner 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 the development partner experience problems. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights. CGMA has regard to these protections in the context of current discussions with the development partner on current and potential future programme delays.	↔	↔
Vacant possession The delivery of vacant possession so that works can start on site on time and the surplus land be released as intended.	CGMA has inserted a landlord's break clause within all the current leases and VSM ensures that there are new premises available for tenants to move into when their current lease ends. CGMA provides 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.	↔	↔
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. The current construction phase is the most contentious for tenants in the existing Fruit & Vegetable trading space. Some of the tenant community have raised a legal action against CGMA in relation to the handover of land to the development partner, which CGMA is defending. Simultaneously, CGMA remains very actively engaged with those tenants scheduled to relocate to new space during the next two construction phases.	↔	↑
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.	↔	↓

Risk	Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
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.	⇔	⇔

Review of Effectiveness

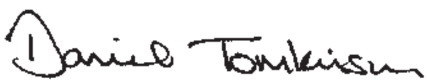
As Chief Executive, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the redevelopment and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit & Risk Committee, and I continue to address weaknesses and ensure continuous improvement of the system.

The opinion of the internal auditors, based on areas of activity reviewed during 2018/19, is that CGMA has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by CGMA. In respect of the areas reviewed, the internal auditors concluded that CGMA has an adequate, effective and reliable framework of internal control and effective risk management and governance processes which provides reasonable assurance regarding the effective and efficient achievement of CGMA's objectives. During the year there were no instances of actual or suspected fraud encountered during the internal auditors' work.

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.



Daniel Tomkinson, Chief Executive, 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 has 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 following consultation with Covent Garden Tenants Association. The provision of services is through commercial contracts placed with specialist suppliers.

Equal Opportunities & Equality Act 2010

CGMA continues to be an employer that strongly advocates and promotes equality of opportunity regardless of an employee's gender, age, marital or civil partnership status, sexual orientation, gender reassignment, religion or belief, colour, race or ethnic origin, disability and pregnancy and maternity. This extends to a further statutory duty to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people and to foster good relations between people who may or may not have the above protected characteristics.

CGMA senior management strongly believes that it applies the principles of the Equality Act 2010 and demonstrates leadership in matters of equality and diversity and acts in accordance with its Public Sector Equality duty.

The objectives that CGMA has adopted to achieve this include senior management demonstrating clear leadership with regard to promoting diversity and equality into every area of the business, the continuation of an inclusive, confident and zero tolerance workplace free from bullying, harassment and discrimination and the maintenance of a continuing programme of employee engagement and involvement.

Contractual Arrangements Essential to the Business

CGMA has lease agreements with each of its tenants.

The principal supply contracts during the year were with Interserve (Facilities Management) Ltd for cleaning, collection and pre-treatment of waste, OCS Group UK Limited for security, Atmosclear Building Services Ltd for mechanical maintenance works and JW Morris Ltd for electrical maintenance.

Saunders Markets Limited has a contract to manage the weekly Sunday Market.

Business Review

Pages 10 to 26 of this Annual Report form the Business Review as defined by s417 Companies Act 2006.

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 20 to the Accounts.

Political & Charitable Donations

The Authority does not make political donations. Charitable and other donations during the year amounted to £27,738 (2017/18: £27,950).

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. Updating Market facilities will require considerable investment which has been secured by means of a land trade with our development partner. Rebuilding of the Market is underway and is forecast to take several years on a phased basis, with the total programme length currently under review in order to ensure business continuity is maintained for tenants' businesses.

Open Government & Publication Scheme

The Authority has adopted a Model Publication Scheme, in accordance with the provisions of the Freedom of Information Act 2000. Full details of the Publication Scheme are available on the Authority's website
www.newcoventgardenmarket.com

Complaints Procedure

The Authority aims to resolve complaints when and where they occur. When this is not possible the following procedure would be followed:

- The Authority undertakes that all complaints received will be addressed promptly and investigated impartially and that it will try to reach a satisfactory resolution.
- A complaint should be submitted to the Authority as soon as possible after the event that has given rise to it. In the first instance full details should be sent to the Authority's Secretary giving the names and positions of any Authority staff involved. Where possible communication should be in writing or by email to the Secretary. Where the circumstances are urgent, contact may be made by telephone or in person.
- The Chief Executive Officer will investigate all formal complaints and the outcome of each investigation will be communicated to the complainant as soon as possible.

Payment of Creditors

It is the Authority's policy to settle all accounts for goods and services (unless subject to a dispute) in accordance with the terms agreed at the time of placing the contracts or orders to which these relate and generally to comply with the principles of the CBI Code of Practice for payments to creditors.

Personal Data Related Incidents

There were no protected personal data related incidents reported for CGMA in 2018/19. CGMA will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvements of its systems.

Health and Safety

The Authority works with the London Borough of Wandsworth on all health and safety matters throughout the site. The Authority is directly responsible for all public areas of the Market. Key areas of focus are safe systems of work for all maintenance work on site, traffic management, checking fork lift truck compliance and the registering of all fork lift truck drivers. Tenants are responsible for their own business operations and are offered the support of the Authority.

Environment

The Authority is committed to reducing its impact on the environment by continuously improving the environmental performance of its operations and by actively working to improve those of companies based at New Covent Garden Market as a whole.

CGMA works to reduce its environmental impact by:

- Educating and informing both employees and tenants in environmental issues and the environmental impacts of their activities.
- Working with contractors and suppliers to enhance their understanding of the relevant environmental issues and ensuring effective management of environmental impacts.
- Monitoring progress and reviewing environmental performance on a regular basis.
- Recognising the need to comply with relevant environmental legislation as a minimum level of performance. Where no specific legislation exists the Authority will seek to set its own standards for compliance.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The Board

Members of the Authority (as at 31 March 2019)

David Frankish

Chair and Authority Member from 1 February 2019

Appointed to 31 January 2022

Currently

Chair

CBI Employment and Skills Board

Redhill Primary School Governors

Non-Executive Director

Tlero Tribal Sports Nutrition

Advisor

GrowthEnabler Influence Network

Previously

Chair

CBI East Midlands Region 2012 - 2013

Vice Chair

NFT Distribution 2017 - 2019

CBI East Midlands Region 2014 - 2015

Managing Director/CEO

NFT Distribution 1995 - 2017

Bill Edgerley

Authority Member from 1 March 2010

Appointed to 31 May 2019

Currently

Trustee

Royal Greenwich Heritage Trust

Henry Moore Foundation

Previously

Trustee

Cutty Sark 2010 - 2016

Chair

Cutty Sark Enterprises 2010 - 2016

Managing Director

P&O Estates Limited 2005 - 2009

P&O Developments Limited 1994 - 2009

Chief Executive

Riverbus Partnership 1991 - 1993

Pre 1985 worked for United Nations - High Commissioner for Refugees Civil Engineering Consultancy Practice

Teresa Wickham

Authority Member from 21 September 2013

Appointed to 20 September 2019

Currently

Member

Harvard Business School PAPSAC Committee

Worshipful Company of Farmers

Partner

Fruit Farm

Previously

Chair

Westminster Ebury Bridge Community Futures Group

Ambassador

Tomorrow's People

Chief Executive

TWA Communications

CSR Adviser

Sainsbury Board

Governor

Royal Agricultural University Cirencester

National Chair

Women's Farming Union 1979 - 1985

Director

Safeway Stores 1990 - 1996

Chair

London Tourist Board 2000 - 2002

Archie Robertson OBE

Authority Member from 1 July 2013

Appointed to 30 June 2020

Currently

Non-Executive Chair

Via Verde Inc (Europe)

Director

Ardnish Experiences Ltd

Non-Executive Director

International Nuclear Service Ltd

Previously

Strategic Adviser

Happold Consulting Ltd 2013 - 2014

Chief Executive

David MacBrayne Group 2010 - 2012

The Highways Agency 2003 - 2008

Non-Executive Director

Rapid5D Ltd 2010 - 2018

Living Streets (Charity) & Living Streets Services Ltd 2013-2018

Capita Symonds Ltd 2008 - 2011

ASI plc 2009 - 2010

Operations Director

The Environment Agency 1995 - 2003

Sir Edward Lister

Authority Member from 1 July 2016

Appointed to 30 June 2020

Currently

Chair

Homes England

Director

Eco World Management Services (UK) Ltd

Ecoworld International Management London Ltd

Stanhope plc

Edward Lister Consultants Ltd

Locarlis Ltd

Foreign and Commonwealth Office Board

Previously

Chief of Staff & Deputy Mayor London

2011 - 2016

Chair

Old Oak Common Development Corporation 2015 - 2016

London and Partners 2014 - 2016

Leader

Wandsworth Council 1995 - 2011

Governor

Museum of London 2016 - 2018

Sara Turnbull

Authority Member from 21 September 2016

Appointed to 20 September 2019

Currently

Chair

Mayor of London's Workspace Board

Interim CEO

Creative Land Trust

Director

HS2 Community & Business Funds Independent Panel Member

Work WILD Limited Director & Founder

Previously

Associate Partner

Foster + Partners 2018

Chief Executive

Bootstrap Company Chief Executive 2012 - 2017

Trustee

Energy Institute

Women's Engineering Society

John Lelliott OBE

Authority Member from 21 September 2016

Appointed to 20 September 2020

Currently

Chair

Natural Capital Coalition

ACCA Global Forum on Sustainability

Non-Executive Director

Royal Bournemouth & Christchurch NHS Foundation Trust

Environment Agency

Trustee

Asthma UK

Member

HRH The Prince of Wales' Accounting for Sustainability Advisory Council

Previously

Interim Chief Financial Officer

The Crown Estate 2016

Finance Director 2001 - 2015

Contents for Covent Garden Market Authority's Accounts 2018/19

5 Year Summary of Financial Statements

		2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	**2018/19 £'000**
1	Gross income including finance income	17,777	17,992	17,793	18,057	**17,734**
2	Gross expenditure including depreciation	(16,022)	(16,168)	(16,413)	(16,828)	**(15,776)**
3	Surplus before redevelopment activity	1,755	1,824	1,380	1,229	**1,958**
4	Disposal of assets	-	11,274	-	114,432	**-**
5	Redevelopment project costs	(908)	(444)	(686)	(257)	**(271)**
6	Surplus for the year	847	12,654	694	115,404	**1,687**
7	Corporation tax & deferred tax	108	(2,002)	1,400	(13,276)	**(323)**
8	**Net profit after accounting for tax**	955	10,652	2,094	102,128	**1,364**
9	**Capital & reserves**	10,448	11,584	8,915	75,140	**76,314**

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 2019 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 2019 and of its profit 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the 58th Report & Accounts 2018/19, 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 19, 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.

Jacqueline Oakes
Senior Statutory Auditor, for and on behalf of Nexia Smith & Williamson
Statutory Auditor, Chartered Accountants

25 Moorgate, London, EC2R 6AY

11 July 2019

Income Statement for the year ended 31 March 2019

	Note	**2019 £'000**	2018 £'000
Revenue	2	**16,574**	16,504
Government cost of capital subsidy	1n	**1,080**	1,430
		17,654	17,934
Operating expenditure			
Operating costs (excluding staff costs)	3	**(10,965)**	(10,749)
Board Members and staff costs	10	**(2,151)**	(2,270)
Depreciation	12	**(570)**	(1,707)
Government cost of capital charge	1n	**(2,030)**	(2,030)
		(15,716)	(16,756)
Operating profit (before redevelopment activity)		**1,938**	1,178
Disposal of assets	4	**-**	114,432
Redevelopment project costs	5	**(271)**	(257)
Operating profit (after redevelopment activity)		**1,667**	115,353
Finance income	6	**80**	123
Finance costs	9	**(60)**	(72)
Profit before taxation		**1,687**	115,404
Taxation	11	**(323)**	(13,276)
Profit for the financial year		**1,364**	102,128

Statement of Comprehensive Income for the year ended 31 March 2019

	Note	**2019 £'000**	2018 £'000
Profit for the financial year		**1,364**	102,128
Other comprehensive income for the year			
Actuarial (loss)/profit on defined benefit pension plan	15	**(229)**	420
Income tax associated with actuarial (loss)/profit on pension liability	16	**39**	(71)
Total comprehensive income for the year		**1,174**	102,477

Statement of Financial Position as at 31 March 2019

	Note	**2019 £'000**	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**43,663**	35,083
Deferred tax assets	16	**447**	420
Total non-current assets		**44,110**	35,503
Current assets			
Trade and other receivables	13	**32,729**	39,672
Cash and cash equivalents	14	**91,492**	99,724
Total current assets		**124,221**	139,396
Total assets		**168,331**	174,899
Equity and liabilities			
Equity			
Reserve fund		**400**	400
Retained earnings		**75,914**	74,740
Total equity		**76,314**	75,140
Non-current liabilities			
Deferred tax liabilities	16	**783**	486
Employee retirement benefit obligations	15	**2,607**	2,469
Total non-current liabilities		**3,390**	2,955
Current liabilities			
Trade and other payables	17	**88,593**	90,256
Current tax liabilities		**34**	6,548
Total current liabilities		**88,627**	96,804
Total liabilities		**92,017**	99,759
Total equity and liabilities		**168,331**	174,899

The accounts were approved by the Authority's Board and were signed on its behalf on 10 July 2019 by:

D Frankish Chair

D Tomkinson Chief Executive Officer

10 July 2019

Statement of Changes in Equity for the year ended 31 March 2019

	Reserve fund £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2017	400	8,515	8,915
Profit for the year	-	102,128	102,128
Other comprehensive income	-	349	349
Total comprehensive income for the year	-	102,477	102,477
Dividends paid	-	(36,252)	(36,252)
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**

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.

Distributions of profits and other capital appropriations are governed and calculated under requirements different from IFRSs. As a result, actual distributable profits may not coincide with the figures shown above.

Statement of Cash Flows for the year ended 31 March 2019

	Note	**2019 £'000**	2018 £'000
Operating cash flow (before redevelopment project costs)		**2,407**	82,896
Operating cash outflow relating to redevelopment project costs		**(268)**	(161)
Cash flow from operating activities	18	**2,139**	82,735
Income taxes paid		**(6,527)**	(5,173)
Net cash (outflow)/inflow from operating activities		**(4,388)**	77,562
Dividend paid		**-**	(36,252)
Cash flow from investing activities			
Interest received		**80**	123
Purchases of property, plant and equipment		**(3,924)**	(1,483)
Proceeds on disposal of property, plant and equipment		**-**	47,909
Net cash (outflow)/inflow from investing activities		**(3,844)**	46,549
Net (decrease)/increase in cash and cash equivalents		**(8,232)**	87,859
Cash and cash equivalents at beginning of year*		**99,724**	11,865
Cash and cash equivalents at end of year*		**91,492**	99,724

*Of this balance, £79.5m (2017/18: £83.4m) is restricted. The monies held are for the progression of the development works, however, their release is conditional on the conditions of the Development Agreement being met.

Notes to the Accounts for the year ended 31 March 2019

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 2018/19 have been prepared in accordance with the standard direction and the legislative requirements of the Covent Garden Market Act 1961 as follows:

i 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 Members have, at the time of approving the accounts, a reasonable expectation that the Authority has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the accounts.

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 judgement and estimation are provided below.

i Recoverability of trade and other receivables

The trade debtors and other receivables balances in the Authority's statement of financial position relate to numerous customers with small individual balances.

All individual 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 receivables in these accounts, net of provisions, is £2.274m (2017/18: £4.019m).

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 1j and 15 for further details.

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 and in particular the Authority incurring sufficient qualifying expenditure within the timeframe permitted. Any delays to the completion of the Market redevelopment may have an adverse impact on the Authority's ability to rollover the gains. The potential tax impact, should rollover relief not be fully available at the current amounts estimated, would be £1.9m. See note 11 for further details.

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 Contingent liabilties

Note 23 to these accounts describes the circumstances surrounding two matters that are the subject of disclosure of a contingent liability. Management have exercised their professional judgement over whether the probability of a liability from either of these matters is remote, possible or probable in making this disclosure.

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 2019 to take into account any adjustments to income and cost expectations anticipated. It was concluded in collaboration with Gerald Eve that no material variation is needed.

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 2019:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- Clarifications to IFRS 15:
  Revenue from Contracts with Customers

The assessment by Members is that the adoption of each of these standards and interpretations had no material impact on the accounts in the period of application.

Certain standards require retrospective application to prior year figures if such application is deemed to have a material effect on the comparative figures unless certain transaction adjustments are undertaken. In the case of the new standards effective for 2019, the Members have taken advantage of the exemptions within the standards to not retrospectively restate the prior year comparatives.

At the date of authorisation of these accounts the following new standards and interpretations have been issued but are not yet effective and have not been applied in these accounts:

- IFRS 16: Leases
- Amendments to IAS 19:
  Plan Amendment, Curtailment or Settlement
  (not yet endorsed by EU)
- Conceptual Framework for Financial Reporting
  (not yet endorsed by EU)

The impact of the adoption of these standards and their interpretation within the accounts has yet to be fully assessed. However, an initial assessment suggests their expected impact on the financial statements, in the context of the Authority's closely defined business model, is unlikely to be material although some adjustments may be required. A brief summary is provided below:

- IFRS 16: applicable for the year ended 31 March 2020 accounts. IFRS 16 requires the inclusion of assets and liabilities relating to operating lease commitments that are not de-minimus. The Authority does not have any operating lease payable arrangements in place and this standard is not expected to materially impact the Authority.

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 and three to eight years for plant and machinery 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 it 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.

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 their fair value less accumulated depreciation and provision for impairment with the assets being depreciated on a straight line basis of 50 years for buildings and between three to eight years for plant and machinery. 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 and it is probably that amounts will be received.

g Deferred income

This includes funds collected from Market tenants in accordance with the terms of their leases, for the funding of future maintenance costs, which will be held until utilised.

h 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).

i Retained earnings

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

j 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 expected return 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.

k 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.

l Government grants

Government grants relating to expenditure classified as property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Capital grants are recorded on a receipts basis and therefore no debtor is recorded for grant financed capital expenditure in excess of the grant received.

m 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 financial impact of the new standard in respect of all other income streams is considered immaterial and does not materially impact the financial statements. 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. The accounting treatment for these revenue streams has not changed since the adoption of IFRS 15.

Rent is recognised quarterly in advance 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 based 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.

n 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. See note 20 for further details on financial instruments and risk management.

o 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 2018/19 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.

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. Five purchase days (2017/18: ten 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 project to redevelop the Market, including managing the project, are classified as 'redevelopment project costs'.

2 Revenue

	2019 £'000	2018 £'000
Income from tenants		
Rents	**4,981**	4,720
Recoveries from tenants	**8,233**	7,440
Other income		
Commercial vehicle charges	**1,286**	1,304
Car and coach parking charges etc	**170**	259
Sunday Market	**967**	992
Miscellaneous receipts	**864**	205
	16,501	14,920
Recharge of costs incurred	**73**	1,584
	16,574	16,504

For management purposes, the Authority is currently organised into one operating division. All the Authority's operations are within the United Kingdom.

3 Operating costs (excluding staff costs)

	2019 £'000	2018 £'000
Market security	**1,563**	1,328
Rates	**332**	274
Maintenance, repairs and renewals	**1,447**	1,463
Cleaning and waste	**3,624**	3,122
Heat, light and power	**1,925**	2,036
Insurance	**451**	417
Printing, stationery and telephone	**62**	92
Professional fees	**432**	334
Bad debt provision	**67**	81
Publicity	**118**	136
Sunday Market operating costs	**421**	419
General expenses	**495**	303
Costs reimbursed	**28**	744
	10,965	10,749

4 Profit on disposal of fixed assets

	2019 £'000	2018 £'000
Proceeds on disposal	-	114,681
Net book value	-	(249)
	-	114,432

5 Redevelopment project costs

	2019 £'000	2018 £'000
Administrative costs and advisory fees	271	257
	271	257

6 Finance income

	2019 £'000	2018 £'000
Bank interest receivable:		
On Market activities	80	123
	80	123

7 Operating profit for the year is stated after charging

	Note	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	12	570	1,707
Staff costs	10	2,151	2,270
		2,721	3,977

8 Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the Authority's auditor for the audit of the Authority's annual accounts	40	32
Fees payable to the Authority's auditor for other services:		
Relating to taxation	57	53
Relating to other services	2	13
Fees payable to the Authority's auditor in respect of associated pension schemes	5	5
	64	71

9 Finance costs

	Note	2019 £'000	2018 £'000
Net interest costs on pension	15	60	72
		60	72

10 The Members and Staff Costs

The Members of the Authority during the year were:

Ms P E Alexander OBE (Chair) (to 31 January 2019) | Mr D Frankish (Chair) (from 1 February 2019) | Mr W T Edgerley | Mr N R Jenney (to 16 January 2019)| | Mr A Robertson OBE | Mrs T M Wickham | Sir Edward Lister | Ms S Turnbull | Mr J Lelliott OBE
The Chair was the highest paid member during the year.

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

	2019 £'000	2018 £'000
Pam Alexander OBE (left 31.01.2019)	**35,000**	42,000
David Frankish (joined 01.02.2019)	**9,690**	-
Total	**44,690**	42,000

In addition, Members are reimbursed for expenses incurred in fulfilling their duties. During the year, Pam Alexander was paid £430 in respect of reimbursed expenses (2017/18: £653), David Frankish £634 (2017/18: £nil).

Other Members' emoluments were in the following ranges:

	2019	2018
£0 - £5,000	**-**	-
£5,001 - £10,000	**2**	3
£10,001 - £15,000	**5**	3
£15,001 - £20,000	**-**	1

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

The Principal Officers of the Authority during the year were:

	Remuneration 2019 £	Remuneration 2018 £
Mr D Tomkinson, Chief Executive Officer	**164,513**	153,450
Mr F Knipe, Finance Director (left 28.02.2018)	**-**	120,672
Mr R Marlow, Operations Director (left 20.03.2019)	**127,323**	125,962
Mrs H Evans, Business Development & Support Director (left 17.10.2018)	**57,145**	85,627
Mr M Weatherald, Property Director	**170,598**	161,838
Mr Tony O'Reilly, Project Director	**128,715**	65,815
Mr Mark Ewing, Finance Director	**122,304**	10,157
Ms Rebecca Barrett (joined 19.02.2019)	**7,019**	-

The principal Officers of the Authority are also considered key management, being persons responsible for the planning, controlling and directing the activities as defined in IAS24 Related Party Disclosures. The Authority contributed 10% or 15% (2017/18: 10% or 15%) of pensionable salaries to a Pension Plan for each applicable officer. The total of contributions for the other principal officers for the year amounted to £131,894 (2017/18: £121,760). The employer's national insurance on the remuneration of the above officers of the Authority amounted to £92,757 (2017/18: £86,961).

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

	2019	2018
Administration	**36**	38
	36	38

Staff costs for the above persons were:

	2019 £'000	2018 £'000
Board Members - aggregate emoluments	**137**	130
Wages and salaries	**1,951**	1,896
Social security costs	**211**	201
Pension service costs	**266**	256
Total payroll cost	**2,565**	2,483
Less amounts capitalised during the year	**(414)**	(213)
Board Members and staff costs	**2,151**	2,270

The following number of employees received salaries in the ranges:

	2019	2018
£0 - £10,000	**6**	4
£10,001 - £20,000	**6**	6
£20,001 - £30,000	**2**	4
£30,001 - £40,000	**9**	7
£40,001 - £50,000	**3**	6
£50,001 - £60,000	**3**	2
£60,001 - £70,000	**4**	4
£70,001 - £80,000	**2**	1
£80,001 - £90,000	**1**	2
£90,001 - £100,000	**2**	-
£100,001 - £110,000	**-**	-
£110,001 - £120,000	**1**	-
£120,001 - £130,000	**1**	2
£130,001 - £140,000	**1**	-
£140,001 - £150,000	**-**	-
£150,001 - £160,000	**-**	1
£160,001 - £170,000	**1**	1
£170,001 - £180,000	**1**	-

Expenses

The total of expenses paid and reimbursed to Chair, Members and employees for travel and entertainment (including meetings) amounted to £26,372 in the year ended 31 March 2019 (2017/18: £19,464), the increase reflecting additional Members and increased activity due to the redevelopment.

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid officer in their organisation and the median remuneration of the organisation's workforce. The mid-point of the banded remuneration of the highest-paid officer in the financial year 2018/19 was £180,000 (2017/18: £170,000) this was 4.32 times (2017/18: 4.08) the median remuneration of the workforce, which was £41,643 (2017/18: £41,709).

In 2018/19 nil (2017/18: nil) employees received remuneration in excess of the highest paid officer; remuneration ranged from £19,195 to £170,598 (2017/18: £17,235 to £161,838).

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The change in the multiple brought about by the change in the salary amounts on both sides of the ratio is due to the amount of bonuses and retention payments paid to staff and to the highest paid officer during 2017/18.

11 Taxation

	Note	2019 £'000	2018 £'000
UK Corporation Tax on profits for the year		**34**	11,609
Adjustment to previous year's tax provision		**(20)**	1,377
Total current tax charge		**14**	12,986
Deferred tax - utilisation and reversal of timing differences	16	**309**	290
Total deferred tax		**309**	290
Total tax charge		**323**	13,276

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

	2019 £'000	2018 £'000
Tax reconciliation		
Profit before taxation	**1,687**	115,404
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017/18: 19%)	**320**	21,927
Tax effects of:		
Expenses not allowable for taxation	**13**	-
Fixed asset differences	**48**	254
Adjustments to tax charges in respect of previous years	**(20)**	(425)
Income not taxable for tax purposes	**(17)**	(12,689)
Chargeable gains	**-**	2,425
Restatement for removal of rollover relief	**-**	1,802
Other timing difference	**(26)**	94
Adjust closing deferred tax to 17% (2017/18: 17%)	**(32)**	(41)
Deferred tax credited/(charged) directly to equity	**39**	(71)
Total tax charge for the year	**323**	13,276

The UK Government has announced future tax changes to corporation tax rate. These changes resulted in a decrease in the standard rate of corporation tax of 19% for 2018/19 tax years, remain at a rate of 19% for the 2019/20 tax year and eventually culminating in a rate of 17% by 2020/21. As at 31 March 2019 all such changes have been substantively enacted and have therefore been reflected in the calculation of deferred tax for the year ended 31 March 2019.

12 Property, plant and equipment

	Freehold buildings £'000	**Leasehold buildings £'000**	**Plant, equipment & motor vehicles £'000**	**Construction in progress £'000**	**Total £'000**
Cost					
At 31 March 2017	19,135	1,442	3,840	14,920	39,337
Transfers	11,207	-	-	(11,207)	-
Additions	-	31	273	12,964	13,268
Disposals	(5,903)	-	(857)	-	(6,760)
At 31 March 2018	24,439	1,473	3,256	16,677	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**
Depreciation					
At 31 March 2017	11,124	1,056	3,226	-	15,406
Charge for the year	1,194	111	561	-	1,866
Disposals	(5,659)	-	(851)	-	(6,510)
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**
Net book value					
At 31 March 2019	**18,376**	**379**	**725**	**24,183**	**44,663**
At 31 March 2018	17,780	306	320	16,677	35,083

Included in freehold buildings are assets fully funded by a grant from Defra; the cost of these assets amounts to £1.675m.

	2019 £'000	2018 £'000
Total depreciation charge to revenue	**570**	1,866
Depreciation charge to capital grant	**-**	(159)
	570	1,707

Land & Buildings

a Land and buildings were last valued at 31 March 1977 by Knight Frank at a level of £16.1m. On transition to IFRS amount was treated as being the historical cost of the assets. The value of land not depreciated is £0.4m (2017/18: £0.4m).

b Except for long leaseholds valued at £0.1m at 31 March 1977 plus subsequent additions at cost amounting to £1.5m, all properties at Nine Elms are freehold.

Freehold land and buildings includes the following asset values representing premises capable of being leased to tenants:

	2019 £'000	2018 £'000
Cost	**20,302**	20,302
Accumulated depreciation	**(5,299)**	(4,907)
Net book value	**15,003**	15,395

13 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**377**	305
Less: provision for impairment	**(37)**	(33)
Trade receivables, net	**340**	272
Amounts due from Defra	**1,080**	2,792
Other receivables	**954**	1,080
Less: provision for impairment	**(100)**	(125)
Prepayments	**74**	46
Development partner	**30,381**	35,607
	32,729	39,672

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

A provision for impairment of trade receivables is established using an expected loss model. Expected loss is calculated from a provision matrix based on the expected lifetime default rates and estimates of loss on default.

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.

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, £30.4m has been recognised.

	2019 £'000	2018 £'000
Provisions for impairment of trade and other receivables:		
As at 1 April 2019	**158**	87
Impairment losses reversed	**67**	81
Uncollected amounts written off, net of recoveries	**(88)**	(10)
	137	158

As at 31 March 2019, trade receivables of £0.04m were considered to be impaired (2017/18: £0.03m). As at 31 March 2019, other receivables of £0.1m were considered to be impaired (2017/18: £0.1m). As at 31 March 2019 trade receivables of £nil (2017/18: £nil) were past due but not impaired. As at 31 March 2019 other receivables of £nil (2017/18: £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.

14 Cash and cash equivalents

	2019 £'000	2018 £'000
Bank deposits - sterling	**90,022**	90,733
Cash at bank and in hand - sterling	**1,470**	8,991
	91,492	99,724

Included within cash and cash equivalents is £79.5m (2017/18: £83.4m) 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 £79.6m to reflect the nature of this arrangement.

See note 17 for further information.

Cash balances of £2.3m (2017/18: £2.2m) 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 £0.2m (2017/18: £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 Scottish Widows plc, 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 2019.

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 2018 IAS 19 calculation.

The Authority expects to make a contribution of £211,000 to this defined benefit pension plan in the year to 31 March 2019.

The weighted average duration of the defined benefit obligation is around 20 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:

	2019 £'000	2018 £'000
Retail price inflation	**3.5%**	3.5%
Salary escalation:	**4.5%**	4.5%
Increase to pensions in payment:	**3.4%**	3.4%
Increase in deferment:	**2.5%**	2.5%
Discount rate (pre and post retirement):	**2.3%**	2.5%
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 5.3%
Rate of inflation	Increase of 0.25% p.a.	Increase by 8.7%
Rate of salary growth	Increase of 0.25% p.a.	Increase by 0.3%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 6.5%

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 average duration of the defined benefit obligation at the period ended 31 March 2019 is 21 years.

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 balance sheet position and may give rise to increased charges in future P&L accounts. 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 2019 is £211,000.

The assets and liabilities of the plan are as follows:

	2019 £'000	2018 £'000
Group pension contract	**3,119**	3,202
Present value of plan liabilities	**(5,726)**	(5,671)
Deficit in the plan	**(2,607)**	(2,469)

Analysis of the amounts charged to the income statement:

	2019 £'000	2018 £'000
Interest income related to plan assets	**80**	99
Interest expense on retirement benefit obligations	**(140)**	(171)
	(60)	(72)

There are no current service costs. The net interest on retirement benefit obligations and the expected return on plan assets are included within finance costs.

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

	2019 £'000	2018 £'000
Actual return less expected return on pension scheme assets	**(163)**	(96)
Experience gains and losses arising on the scheme liabilities	**172**	145
Changes in assumptions underlying the present value of the scheme liabilities	**(238)**	371
	(229)	420

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

	2019 £'000	2018 £'000
Deficit in scheme at beginning of year	**(2,469)**	(2,966)
Contributions net of administration charge	**151**	149
Other finance cost	**(60)**	(72)
Actuarial (loss)/profit	**(229)**	420
Deficit in scheme at end of year	**(2,607)**	(2,469)

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

	2019 £'000	2018 £'000
At the start of the year	**3,202**	4,673
Interest income	**80**	99
Actuarial losses	**(163)**	(96)
Employer contributions	**168**	168
Administration costs (excluding asset management costs)	**(17)**	(20)
Benefits paid out	**(151)**	(1,622)
At the end of the year	**3,119**	3,202

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

	2019 £'000	2018 £'000
At the start of the year	**5,671**	7,639
Interest cost	**140**	171
Actuarial gains/(losses)	**66**	(517)
Benefits paid out	**(151)**	(1,622)
At the end of the year	**5,726**	5,671

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

	2019	2018	2017	2016	2015
Difference between actual and expected return on scheme assets					
Amount (£'000)	**(163)**	(96)	(218)	(388)	160
Percentage of scheme assets	**(5%)**	(3%)	(4.7%)	(8.7%)	3.3%
Experience gains/(losses) on scheme liabilities:					
Amount (£'000)	**172**	145	294	376	(68)
Percentage of the present value of scheme liabilities	**3%**	3%	3.8%	6.4%	(0.9%)
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	**(229)**	420	(1,714)	839	(1,006)
Percentage of the present value of the scheme liabilities	**4%**	7%	22.4%	14.4%	(14%)
Total assets and liabilities of the scheme:					
Total fair value of scheme assets	**3,119**	3,202	4,673	4,455	4,915
Total present value of scheme liabilities	**(5,726)**	(5,671)	(7,639)	(5,815)	(7,198)

16 Deferred taxation

	2019 £'000	2018 £'000
Deferred tax assets	**447**	420
Deferred tax liabilities	**(783)**	(486)
	(336)	(66)

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

	Capital allowances £'000	Retirement benefit obligations £'000	Total £'000
At 31 March 2017	(209)	504	295
Charged to the income statement	(277)	(13)	(290)
Credited to other comprehensive income	-	(71)	(71)
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)**

17 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**228**	365
Other tax and social security payable	**97**	229
Accruals and deferred income	**4,440**	4,070
Deposits from tenants	**2,261**	2,197
Development creditor	**79,511**	83,368
Amount due to Defra	**2,030**	-
Pension contributions	**26**	27
	88,593	90,256

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 Cash flow from operating activities

	2019 £'000	2018 £'000
Profit before taxation	**1,687**	115,404
Net finance income	**(20)**	(51)
Operating profit	**1,667**	115,353
Profit on disposal of fixed assets	**-**	(114,433)
Total depreciation charge	**570**	1,866
Net employer contribution after administration cost	**(151)**	(149)
Amortisation of Defra grant	**-**	(157)
Operating cash inflow before changes in working capital	**2,086**	2,480
Decrease/(increase) in trade and other receivables	**1,716**	(2,673)
(Decrease)/increase in trade and other payables	**(1,663)**	82,928
Net cash flow from operating activities	**2,139**	82,735

19 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.

20 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 2019 is as follows:

	2019 Trade and other payables £'000	2018 Trade and other payables £'000
On demand	**83,141**	87,342
Less than 1 month	**3,639**	1,358
1 to 3 months	**285**	563
3 to 6 months	**1,423**	993

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

	2019 £'000			2018 £'000		
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
Cash	**-**	**1,470**	**1,470**	-	8,991	8,991
Short-term deposits	**87,761**	**2,261**	**90,022**	88,536	2,197	90,733
	87,761	**3,731**	**91,492**	88,536	11,188	99,724

The weighted average interest rate for the fixed rate deposits is 0.73% (2017/18: 0.33%) and the weighted average days until maturity is 174 days (2017/18: 124 days). The short-term deposits are held on call at BBVA at 0.6% (2017/18: 0.35%). Should floating interest rates decrease by 1%, potential profit and equity of the Authority for the year would decrease by £0.080m (2017/18: £0.123m).

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. 12 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 Acts 1961 - 1977.

21 Operating lease commitments

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

	2019 £'000	2018 £'000
Within 1 year	**133**	90
Within 2 - 5 years	**600**	800
After 5 years	**1,298**	1,255

22 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 2019, all of the grant had been received and expenditure incurred.

See note 1o in respect of a cost of capital charge of £2.0m (2017/18: £2.0m) and associated subsidy of £1.1m (2017/18: £1.4m).

See note 10 for details of management remuneration and other information.

During the year the Authority paid dividends to Defra totalling £nil (2017/18: £36.3m).

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.

Related due to other reasons

None.

23 Capital commitments and contingent liabilities

a The Authorityhas entered into a Development Agreement with VSM (NCGM) Limited (VSM) for the redevelopment of New Covent Garden Market. 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.

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.

It is expected that the overall duration of the project timeline will be extended at VSM's request in order to maintain market continuity whilst construction work is in progress; this has 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. The Authority is pleased that a revised programme has been agreed in principle between both parties and which will be contractually confirmed subject to the conclusion of commercial discussions connected to the impact of that extended project timeline, which will address the question of resultant financial liabilities between the parties.

As a result of the stage to which these commercial discussions have progressed, it is not currently possible to estimate with any reliability whether any liability has accrued to CGMA, the probability of such liability crystallising, the timing of any crystallisation, nor what the quantum of any liability may be.

The total contracted expenditure is £142m (2017/18: £142m). At the year end the total expenditure on development assets and construction in progress incurred was £141m (2017/18: £136m), leaving a remaining commitment of £1m (2017/18: £6m).

b The Authority received a legal claim from the Tenants Association and some of the tenant community during the course of the 2018/19 financial year challenging the legal basis for the handover of a part of the New Covent Garden Market site to VSM as CGMA's development partner, per the contractual terms of the Development Agreement in place between CGMA and VSM and in order to progress the redevelopment project.

The Authority is defending the claim on the basis of legal advice.

As at 31 March 2019, this ongoing matter of litigation was still in progress. The Board of CGMA wish to resolve the matter via a structured process of mediation during the 2019/20 financial year if at all possible. If this is not possible, and the process is not resolved by any other means, current legal advice indicates that any eventual trial will not be held before the second half of the 2020 calendar year.

As a result of the stage to which this litigation process has progressed, it is not currently possible to estimate with any reliability whether any liability has accrued to CGMA, the probability of such liability crystallising, the timing of any crystallisation, nor what the quantum of any liability may be.

There were no other capital commitments authorised or contracted for as at 31 March 2019 (2017/18: nil).

24 Events after the reporting period

In accordance with the Development Agreement there is an expectation that options over the remaining portions of surplus land will be exercised at various points over the coming years.


FOOD EXCHANGE
Premier Fruits Catering
SHERINGHAMS
(FINE FOODS LTD)
EA64 VSN

The Authority's Management Appendix I

The Authority's key staff Members as at 31 March 2019 were as follows:

Daniel Tomkinson	Chief Executive Officer
Rebecca Barrett	Communications & Marketing Director
Mark Weatherald	Property Director
Tony O'Reilly	Project Director
Mark Ewing	Finance Director

Business Development

Alastair Owen	Head of Communications & Marketing

Finance

Russell Scott	Finance Manager

Operations

Jo Breare	Facilities Manager
Colin Corderoy	Operations Manager

Property

Richard McAuley	Property Manager

Statutory Committees Appendix II

Membership of the Committees during the year was as follows:

Joint Management Advisory Committee: Flowers

Daniel Tomkinson	Chair, CGMA
Mark Ewing	ex officio
Martin Panter	Arnott & Mason (Hort) Ltd
John Hardcastle	Bloomfield Wholesale Florist Ltd
Simon Russell	Bluebells
Steve Tones	Horticultural Development Agency
Bryan Porter	Porters Foliage
Julie Brown	Quartz Flowers
Simon Lycett	Simon Lycett Ltd
Sophie Hanna	Sophie Hanna Flowers
Brian Perkins	Whittingtons Ltd
Graeme Diplock	Zest

Joint Management Advisory Committee: Food

Daniel Tomkinson	Chair, CGMA
Mark Ewing	ex officio
Gary Marshall	Bevington Salads
Steve McVickers	Capespan
Robert Hurren	County Supplies (London) Ltd
Ian Leggat	Defra
A Sole	E A Williams (CG) Ltd
Michael Hickey	Eurofrutta
Dan McCullough	First Choice Fruit Ltd
Peter Fowler	Gilgrove
Andrew Dorling	H G Walker Ltd
Jack Henley	Henley Transport
Steve Tones	Horticultural Development Agency
Rick Harris	I A Harris & Son Ltd
Paul Ryan	Linkclass Ltd
Giovanni Lapi	Nature's Choice
Pam Lloyd	Pam Lloyd Associates
Jason Tanner	Premier Fruit
Andrew Thorogood	S Thorogood & Sons
David Mulcahy	Sodexo UK & Ireland
Shahid Mirza	Tropical Catering
Gary Hunter	Westminster Kingsway

Market Traffic Advisory Committee

Daniel Tomkinson	Chair, CGMA
Mark Ewing	ex officio
Archie Robertson	CGMA
Natalie Chapman	Freight Transport Association
Tim Long	London Borough of Camden
Abu Barkatoolah	London Borough of Lambeth
Dave Cook	Metropolitan Police
Ray Engley	Road Haulage Association
Isaac Kwakye	Wandsworth Council
Tim Ward	Transport for London
Debbie McSweeney	Unite
Don Murchie	Westminster City Council

Market Workers' Advisory Committee

Daniel Tomkinson	Chair, CGMA
Mark Ewing	ex officio
Helen Evans	CGMA
Bob Marlow	CGMA
Nigel Jenney	Fresh Produce Consortium
Debbie McSweeney	Unite

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