



**Report and Accounts for the
accounting period from
1 April 2022 to 31 March 2023**

Large print version

62nd Report and Accounts 2022/2023

Covent Garden Market Authority

Report and Accounts for the accounting period from
1 April 2022 to 31 March 2023

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



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

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The Report and Accounts

Covent Garden Market Authority	6
New Covent Garden Market Redevelopment	7
Highlights	11
Chair's Statement	14
Incoming Chair's Statement	17
General Manager's Statement	18
New Covent Garden Market Trade	21
Governance Statement	22
Foreword to the Accounts	39
5 Year Summary of Financial Statements	54
Independent Auditor's Report to the Members of Covent Garden Market Authority	55
Income Statement	64
Statement of Comprehensive Income	66
Statement of Financial Position	67
Statement of Changes in Equity	69
Statement of Cash Flows	71
Notes to the Accounts for the year ended 31 March 2022	74
The Authority's Management	151

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Covent Garden Market Authority

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

What we do

CGMA lets and manages the space at NCGM. Services provided include:

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

£4.2m Rental income

30 staff Employed by CGMA

New Covent Garden Market Redevelopment

CGMA, in partnership with VINCI St. Modwen (VSM), is rebuilding New Covent Garden Market (NCGM). This is a long-term, complex project that will see the construction of new market buildings and facilities and allow NCGM to continue to feed and flower London for generations to come. At the end of March 2023, the redevelopment was 407 weeks into a 615 week programme and on schedule. Events subsequent to the year end have resulted in some delay to part of the programme, but to date the overall programme remains 615 weeks. Further details of this are set out at the end of this section.

The redevelopment of NCGM will provide modern facilities for the 167 small and medium sized companies based in the market and the 2,000+ people they employ. The NCGM site forms part of a wider transformation of Nine Elms, which is creating a new and exciting residential and business district.

NCGM is one of three iconic sites in Nine Elms, alongside Battersea Power Station and the American Embassy. The redeveloped site will be ideally placed to form part of a proposed new Food Quarter for London.

Surplus land from the original 57-acre site has been sold to a range of developers and is being rebuilt independently to facilitate a new, residential-led scheme, consisting of 2,973 homes, including 447 (15.1%) affordable homes, 12,624 sq ft of office space, and 8,994 sq ft of retail, leisure, and new community facilities, including shops, cafes, and restaurants.

The commercial and construction elements of the 11 year multi-phase programme will provide 2,000 further jobs. It has also contributed 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 in Autumn 2021 means the majority of people living and working in the area are within five minutes' walk of a tube station.

During the year ending 31 March 2023 the redevelopment project yielded the following milestones:

- The new Block A2 was completed comprising of 183,600 ft² and trading from it commenced in October 2022;

- Demolition of part of the old market required to facilitate the construction of Block B2 commenced in October 2022 and was completed in January 2023.

After the year end the redevelopment project yielded the following milestones:

- Construction of Block B2 was completed in November 2023 and comprises of 78,700 ft²;
- Tenant fit out of Block B2 began in October 2023 and completed in February 2024;
- The migration date for the B2 tenants has unfortunately been delayed due to a contractual dispute resolution process between CGMA and VSM, which has now concluded. The redevelopment is expected to resume, but the implications of the process and its outcome for the redevelopment programme are not yet known.

www.newcoventgardenmarket.com



Highlights

Covent Garden Market Authority's Performance

Revenue from normal trading activity was £14.4m, this is down marginally from £14.5m in 2021-22. The key driver for this is the rent-free period offered to tenants as part of the tenant settlement agreement signed in 2020/21. This decrease is offset by a corresponding increase in grant income. Increasing operational costs to be recovered from tenants, while market occupancy rates remained relatively flat, have contributed to the overall decrease in recoveries from tenants.

Other revenue remained consistent with the prior year and includes Sunday Market income and contract parking.

CGMA's Key Performance Indicators

Occupancy Rate: Total Trading Area

Occupancy of core trading space has remained stable on a like-for-like basis at 89% (2021-22: 89%).

- Fruit and Vegetable Market marginally decreased to 88% as at 31 March 2023, from 89% in 2021-22.
- Flower Market increased to 98% (2021-22: 96%).

- The Food Exchange building was 94% as at the year end, compared to 88% in the previous year.

General Service Charge (GSC): £ per sq ft

The average GSC for the year was £13.66 per sq ft, after an average rebate of £2.14 from the initial expectation of £15.80 per sq ft. This is a great achievement compared to £13.58 for the previous year as inflationary pressures, particularly on labour were felt across several key cost categories.

Key Events

The financial year ended 31 March 2023 was a challenging year for tenants due to issues in the economic environment. High inflation and increased energy costs put pressure not only on the tenants' direct business costs but also upon the hospitality sector that they serve. The hospitality sector faced similar pressures magnified by a reduction in consumer demand due to domestic financial pressures. The year also saw changes in consumer behaviour post-COVID, which has led to reduced footfall within the capital at the beginning and, more importantly, at the end of the working week. This led to challenges for the Authority with an increase in aged debt as tenants took longer to pay, and consequently increased the Authority's dependence on Defra's grant.

Despite the extreme weather events that took place in North Africa and Southern Spain in Q4 that led to high street shortages of certain products, with some major producers calling force majeure on high street contracts, NCGM tenants continued to source produce for their customers albeit at an inflated price that depressed volumes of trade. There has also been an acceleration in the predicted decrease of producers over-producing speculatively, with increases in costs of labour and energy leading to an upward pressure on wholesale prices.

Despite these pressures, tenants' businesses have remained resilient in the main (both during the financial year and subsequently) with very few ceasing to trade during this period and any voids created by the exit of a tenant, filled quickly as demand for additional space by other tenants remains high.

The Food Exchange remains a desirable and dynamic hub for local and national entrepreneurial businesses, most of which operate food-related business models. The increase in occupancy compared to the financial year 2021-22 is due to a general trend in businesses returning to the office. However changes in personnel office attendance across a whole week, post COVID and increases in business rates during the Financial year 2023-24 have contributed to a drop in enquiries for spaces since 31 March 2023. Mission Kitchen's membership remained strong throughout the financial year with ten of their members expanding and taking on additional spaces.

Chair's Statement

John Lelliott – Interim Chair

I have been honoured to serve as the interim chair of the CGMA Board, and to be part of this proud London Institution.



The process to recruit a permanent chair completed in March 2024 with the appointment by Defra of Wanda Goldwag, who started her tenure as Chair of CGMA on the 2nd of April 2024. I wish her every success for the future and look forward to supporting her until the end of my tenure as a Board member in September 2024.

I would like to acknowledge the hard work and dedication of our staff, who have contributed to the impressive achievements and outcomes presented in this Report. I would also like to thank my fellow Non-Executive Directors for their invaluable support and advice to me and CGMA. We are aware of the challenges and opportunities that lie ahead in the next 12 months, and I am confident that our team can deliver the most comprehensive redevelopment programme ever undertaken by a UK wholesale market.

I would also like to express my gratitude to the New Covent Garden Market tenants, who have shown resilience and cooperation in running their businesses during our major redevelopment. I appreciate their patience and constructive engagement with CGMA, to ensure that the redevelopment benefits everyone and enhances their chances of future success.

Following last year's changes in CGMA's accounting policy, work has continued to ensure the International Accounting Standards Board's (IASB) Conceptual Framework for Financial Reporting in relation to the valuation of CGMA's assets have been met and it was discovered that further adjustments were necessary to reflect the true nature of the assets. With the continuation of this work, the focus for financial year 2022-23 has been upon the difference between investment property and tertiary properties included in property, plant and equipment. On completion of this work, a further adjustment relating to tertiary properties (that encompasses non-revenue generating property which enhances the value of the market) has been deemed to be required as these assets had erroneously remained within property, plant and equipment, while their fair value was recognised under investment property, thereby resulting in a double count.

Financial year 2022-23 saw a pivotal change for CGMA's finance in a challenging economic environment. Maintaining a level of voids to enable the decanting of tenants in preparation for further phases of the

redevelopment in conjunction with a large increase in electricity prices and inflationary pressures since the beginning of the war in Ukraine have contributed to an operating deficit for financial year 2022-23. We had anticipated this loss of income due to the phasing of the development and in preparation of the next phase. I am confident that with the predicted fall in utility pricing coming to fruition and with active cost management this will be mitigated in future years.

The re-development is progressing well and we are confident that our income stream will recover.

CGMA understands that its goals are closely aligned with the success of its tenants. By working together with the Covent Garden Tenants Association (CGTA), we aim to retain New Covent Garden Market's reputation as the leading fruit, vegetable and flower hub for London, a position it has maintained for centuries.

I am excited to see how NCGM, with its diverse and innovative businesses, will foster creativity across the food and drink sector, and help London to enhance its reputation as a global food hub, for many years to come. I look forward to another 50 years of success in Nine Elms.



9 September 2024

Incoming Chair's Statement

Wanda Goldwag

It's no secret that CGMA, the market and its tenants face plenty of challenges between now and the completion of the redevelopment programme. I hope the breadth of my experience from other industries and organisations going through change will be a positive factor in driving CGMA forward alongside our tenants, to create a world-class, sustainable wholesale market in the heart of London.



A handwritten signature in black ink, appearing to read 'W. Goldwag'.

9 September 2024

General Manager's Statement

Jo Breare – General Manager

In financial year 2022-23 CGMA achieved total revenue of £15.5m and an operating deficit of £0.6m after redevelopment activities. This is a decrease from the previous year's restated operating profit of £1.2m.



CGMA has faced some challenges in the trading environment, such as rising energy costs, inflation, and food supply disruptions due to the war in Ukraine and climate change. We mitigated some of these risks by using Government contracts such as those for procuring electricity and adapting to the changing environment.

CGMA have responded to these challenges by making changes to the organisation to enable a more strategic, commercially-focussed approach: fulfilling our statutory duties, working in partnership with our tenants, and building towards long-term commercial success. Our mission is to provide excellent facilities, property management and support services from our unique location, delivering real value to our tenants and adapting to meet the needs of the future.

CGMA spent time during financial year 2022-23 developing our core values which enable us to deliver our mission, we are pleased to report our values as:

Expertise

Pride in continuously developing skills and capabilities which are recognised and valued by our stakeholders.

A great place to work

An energy enhancing place to work to build strong relationships, where everyone feels valued, heard and included.

Community

Commitment to building resilient and valued networks of relationships which are beneficial for all involved and the market community as a whole.

Integrity

A 'no surprises' environment where people act with transparency, trust and respect and there is clarity and honesty about what we do and what we don't do.

In financial year 2022-23 and subsequently we achieved meaningful, valued engagement with our tenants and their customers through the quarterly statutory committees, where we had constructive discussions and received valuable feedback.

CGMA is proud of its links and the support it provides to communities. With a sporting facility, a joint Greater London Authority funded community kitchen and a Sunday Market, all serving some of London's most diverse and marginalised groups, it is an integral part of the Nine Elms redevelopment. With a strong emphasis on supporting its small staff group and further projects under consideration.

We appreciate the guidance and support of CGMA's non-executive Board members, who have helped us shape our Mission and Core Values and will continue to assist us in achieving our Strategic Objectives. Our governance structure is strong and effective for our development.

We have a small but dedicated team at CGMA that strives to build trust and collaboration with our tenants. We are optimistic about the future of the Market community and look forward to the opportunities and challenges in 2024, which sees the start of our golden anniversary year of being located in Nine Elms.



9 September 2024

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.

167 businesses trade fruit, vegetables, and flowers but also dairy, ice and gourmet ingredients.

167 Businesses Turnover **£888m**

Tenant Business Type	£million*	Number of businesses
Fruit and Vegetable Wholesalers	364	22
Fruit and Vegetable Wholesale Distributors	322	56
Flower Market	44	37
Other Food Companies	27	17
Importers	131	35
Total	888	167

*Figures show total annual turnover from tenants' financial statements, year ending up to 31 March 2023 in current prices and therefore include inflationary impact.

Governance Statement

Chair's Responsibilities

The Chair of the Authority is personally responsible for giving assurance to Defra's Principal Accounting Officer for safeguarding the public funds and assets for which they have 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 the Chair.

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

During financial year 2022-23 David Frankish stood down as Chair and John Lelliott (OBE), Chair of Audit and Risk Assurance Committee was appointed as interim Chair whilst Defra sought to recruit a replacement. Wanda Goldwag was appointed as the new Chair of the Authority in the following period, with her term commencing on 2 April 2024.

The Authority's Board

The Board of the Authority comprises the Chair and a maximum of seven other non-executive Members, appointed by the Secretary of State for Environment, Food and Rural Affairs, and including one member 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 six times a year 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 the Covent Garden Market Authority. There is an annual assessment of the Board's performance and effectiveness.

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 'Nolan' principles of public life.

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

The following table sets out Members' attendance at Board and advisory committee meetings during financial year 2022-23.

	Board	Audit and Risk	Remuneration
Total number of meetings	8	3	3
David Frankish	5/5	-	1
John Lelliott	8/8	3/3	3/3
Sara Turnbull	5/6	2/3	-
Victoria Wilson	7/8	-	3/3
Sarah Calcutt	8/8	-	3/3
Fiona Fell	7/8	3/3	-
David Fison	8/8	3/3	-

Audit and Risk Assurance Committee

The Audit and Risk Committee comprises four Members of the Board. Membership at the year-end consisted of John Lelliott (Chair), Fiona Fell and David Fison, with Sara Turnbull having completed her second term on 20 March 2023. Members of the Executive attend meetings as well as other appropriate Members of the Authority. The Committee met three times during financial year 2022-23. The Chair of the Committee provides a regular report to the Board concerning internal controls and risk management policies and procedures after each meeting.

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

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

Remuneration Committee

The Remuneration Committee comprises three Members of the Board. Membership at the end of financial year 2022-23 consisted of Victoria Wilson (Chair), John Lelliott and Sarah Calcutt.

The Committee advises the Board on reward and recognition strategy and performance management; terms of employment; structure; resourcing and other HR matters.

Redevelopment Project

During financial year 2022-23 work continued on building the new Market in accordance with the revised timetable. Phase 2 tenants took up occupation of their new units in October 2022, and preparations began for Phase 3 relocations. For the reason noted in the section 'New Covent Garden Market Redevelopment' above, these preparations continued after the end of financial year 2022-23 and are still ongoing. In line with the Development Agreement, a Development Review Group meets monthly and 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 as well as regular meetings with the tenant and the developer.

These meetings play an important role in managing the challenges that arise in this unprecedented redevelopment of an active wholesale market site. CGMA does not underestimate these challenges and is grateful to the participants in the meetings for taking the time to help address them.

The Authority as a Going Concern

The Authority's Board is required to give an opinion as to whether there is a reasonable expectation that adequate resources exist for the Authority to continue in operational existence for the foreseeable

future, being a minimum of 12 months from the date of signing of the Annual Report and Financial Statements. Any such view must take account of the need for substantial investment in the Market's facilities, and the risks identified in the section 'Principal Risks and Uncertainties' below.

The Board has undertaken a rigorous process in respect of going concern. In forming a view, that the Authority was a going concern as at the end of financial year 2022-23 and remains a going concern, the Board had regard to the following:

- The Authority's statutory powers to borrow and grant debentures, in the context of a largely unused statutory borrowing limit of £45m and the availability of unencumbered assets.
- The Authority's statutory power to dispose of or let land that is not required for the purposes of its statutory duties, to release funds to support compliance with those statutory duties (in accordance with s.18 of the Covent Garden Market Act 1961).
- The availability of qualifying expenditure to offset chargeable gains on previous disposals of surplus land.
- The contractual arrangements with VSM and their ability to complete the works. The contract with VSM provides the Authority with various forms of protection to mitigate the risk that

VSM fail to fulfil their obligations to complete the redevelopment. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights.

- Projected cash flows and associated forecast financial statements taken from the updated projections in the Long-Term Business Plan, which covers the remaining period of the redevelopment to 2027 and extends further out to the end of the 2030/31 financial year.
- The requirement for the continued existence of the Authority as a public corporation pursuant to the Covent Garden Market Acts, and the fact that the Authority's statutory duties are, for financial purposes, confined to:
 - breaking even, taking one year with another; and
 - maintaining a reserve fund.
 - carrying out alterations or improvements as needed.
- The continuing impact of the confirmed external financial support for CGMA forthcoming from Defra in relation to the settlement of the tenant litigation in 2020, in accordance with the funding approval letter issued to the Board of CGMA and dated 12 August 2020.

The fair value losses which have impacted our financial statements in respect of financial year 2022-23 primarily reflect fluctuations in the property market due to the significant increases in inflation and interest rates during the period, and do not undermine our ability to operate as a going concern.

The assessment shows that the Authority remains a going concern.

The Board believes the scenarios modelled are prudent and, taking into account the financial support offered by Defra, is therefore of the opinion that there is reasonable assurance that it 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 was in place throughout the financial year 2022-23 and has remained in place continuously up to the date of approval of the Report and Accounts, and it accords with HM Treasury guidance.

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



Risk Management





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



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





Principal Risks and Uncertainties

The Authority considers that the principal risks and uncertainties facing its business and strategy are as follows, noting that changes in impact and likelihood are assessed as at the date of approval of the Annual Report and Accounts, as compared to the end of the financial year 2021-22:

Risk	Principal mitigations	Change in impact compared to financial year 2021-22	Change in likelihood compared to financial year 2021-22
<p>Pressures on the workforce</p> <p>Workforce fatigue and resourcing continued to present challenges.</p> <p>The Authority further restructured its management team in July 2023 to improve efficiency and better position it to deliver on its statutory purpose.</p>	<p>Team members continued to adapt to the new structure, and the improving skills and process familiarity of new team members removed single-point failure as a registered risk. Adaptability and collaboration across teams is encouraged to mitigate fatigue and resourcing challenges, alongside the use of external contractors where budgets permit.</p>		

Risk	Principal mitigations	Change in impact compared to financial year 2021-22	Change in likelihood compared to financial year 2021-22
<p>Reputation and confidence</p> <p>There is a risk to CGMA’s reputation and the tenants’ and other stakeholders’ confidence in them as landlord should the project not be delivered to the agreed plan or if the quality of execution affects the market operation.</p>	<p>Trust and working relationships with key stakeholders continue to improve following the 2020 settlement agreements with tenants and VSM. Ongoing constructive dialogue with both parties has continued to reduce the likelihood of this risk year-on-year, as has the pursuit of contractual rights.</p>		
<p>Residual impact of Coronavirus pandemic</p> <p>The Authority’s exposure to sectors of the economy that continue to experience a residual impact following the pandemic through its tenants’ reliance on those sectors (e.g. hospitality and events) creates a risk to its financial viability.</p>	<p>Particularly on the Fruit and Vegetable Market, tenants experienced an improvement in trading conditions as the sectors of the economy on which they rely returned to more normal operations. This has been reflected in their improved ability to meet their liabilities under their leases.</p>		

Risk	Principal mitigations	Change in impact compared to financial year 2021-22	Change in likelihood compared to financial year 2021-22
Cashflow	<p>As noted above, the Authority continued to benefit from grant-in-aid funding from Defra. The ability of tenants to pay sums due under their leases also improved as the hospitality sector began to recover after the pandemic. The Authority has brought in new credit control personnel and more proactive measures to work with tenants to ensure effective arrears measurement.</p>		
<p>Costs associated with resolving disputes with the tenants and developer, and the impact of the pandemic on tenants' abilities to pay their rent and service charge on time, resulted in cashflow challenges for the Authority.</p>			
<p>Increased risk of tenant insolvencies arose due to ongoing challenges for the hospitality sector.</p>			
<p>Inflationary impact on expenditure on market enhancements in relation to the redevelopment resulting in the Authority funding from operational cash flows.</p>	<p>The Authority is investigating funding options additional to the grant in aid, either through other grants or commercial credit facilities.</p>		
<p>Delays arose in some invoicing types as a result of implementation of new core finance IT systems (see below).</p>	<p>See below for mitigation of the system implementation risk.</p>		

Risk	Principal mitigations	Change in impact compared to financial year 2021-22	Change in likelihood compared to financial year 2021-22
<p data-bbox="134 376 405 414">Insurance cover</p> <p data-bbox="134 465 564 770">The Authority’s business continuity insurers have resisted paying claims in respect of a range of pandemic-related losses. This is an industry-wide problem.</p>	<p data-bbox="619 376 1043 770">All known insurance claims under the Authority’s business continuity cover in respect of the Coronavirus pandemic have now been submitted, and recovery maximised.</p>		
<p data-bbox="134 792 512 875">Development partner relations</p> <p data-bbox="134 927 587 1630">The Authority’s relationship with its development partner VSM has improved in general terms as a result of the 2020 settlement agreement. Recent contentious issues (post 31 March 2023) required recourse to a contractual dispute resolution process with VSM which has now concluded, and the impact of this (if any) on development partner relations is not yet known.</p>	<p data-bbox="619 792 995 1144">We maintain a constructive dialogue with the development partner, with regular meetings. This has continued throughout the dispute resolution process.</p>		

Risk	Principal mitigations	Change in impact compared to financial year 2021-22	Change in likelihood compared to financial year 2021-22
<p data-bbox="134 376 576 414">Core systems replacement</p> <p data-bbox="134 465 576 862">The Authority went live with a new core IT financial management systems in the financial year 2022-23. This initially resulted in delays to invoicing, which in turn adversely affected the Authority's cashflow.</p> <p data-bbox="134 913 576 1211">Ongoing issues with the implementation specifically in regard to its integrated property management module continued to impact the timeliness of invoicing.</p>	<p data-bbox="619 376 1061 683">The Authority has been working closely with a new Systems Implementation Partner and a third party consultant to work through the residual issues.</p> <p data-bbox="619 734 1061 952">Manual invoice generation has been used where necessary to help mitigate the invoicing delays.</p>		
<p data-bbox="134 1234 555 1361">Future revenue streams and tenant business resilience</p>	<p data-bbox="619 1234 1061 1682">We are considering options to maximise diversity of tenant businesses within the confines of our statutory duties, and looking to identify investment opportunities and potential external partners to support delivery.</p> <p data-bbox="619 1733 1061 2080">As regards our existing tenant base, we are looking at opportunities to provide added value services and help improve efficiency and productivity in tenant businesses.</p>		

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.



**Jo Breare, General Manager, Covent
Garden Market Authority** 9 September 2024



Foreword to the Accounts

History, Statutory Background and 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 market moved to the current site in 1974 and currently comprises around 167 tenant businesses, 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 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 site is currently undergoing a complete 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 a RICS-compliant service charge which is reviewed annually in line with costs and takes into consideration the advice of tenant representatives. The provision of services is through commercial contracts placed with specialist suppliers.

As part of our commitment to transparent and accurate financial reporting, we conducted a thorough review of the accounting treatment for the redevelopment of the market in financial year 2021-22. The purpose of this was to assess whether the assets held for the purpose of operating a market should continue to be recognised as property, plant and equipment or changed to investment property.

At the commencement of the redevelopment project, the Authority concluded that the new market should be recognised as property, plant and equipment, due to the Covent Garden Market Acts stipulation that the Authority must run a market, and in order to do

that it needed market buildings. With the progression of the redevelopment work, the ambition to invest in other market enhancements and the desire from Defra for the Authority to be self-funding of these improvements, management took the view in financial year 2021-22 that the market assets now meet the criteria to be recognised as investment property.

The deep dive on fixed assets, both property, plant and equipment and investment property continued into financial year 2022-23. This exercise highlighted that certain tertiary assets, including football pitches, multi-storey car park, waste compound, welfare block and the security office had not been reclassified as investment property. These assets are largely not revenue generating assets but provide the enhanced services that make New Covent Garden Market a premium location for food and flower businesses and therefore should have been transferred out of property, plant and equipment and into investment property. Consequently, these assets have erroneously been a part of the carrying value of property, plant and equipment in the financial statements, while their fair value was also included in investment property. As a result of this oversight, the net book value of freehold buildings classified under property, plant and equipment and the fair value gain on investment property have been overstated by £4.8m. This has been adjusted for as an error and has been corrected as part of the restatement detailed in Note 1u.

Business Review

The Authority has appointed new auditors during the financial year 2023-24 in accordance with its internal governance on procurement. The delay in the issuance of the 2021-22 accounts and therefore the commencement of the 2022-23 accounts process has resulted in this set of accounts being audited by our new auditors. As anticipated with a change in auditor, the first year audit required additional time to complete, due to the necessary familiarisation with the Authority and its history. This was further impacted by the need for a restatement following the prior year error detailed above. As a consequence of these factors, these accounts are late by more than 12 months.

The Authority's performance for the financial year 2022-23 has shifted from an operating surplus in 2021-22 of £1.2m (restated) to an operating loss of £0.6m. The key driver for this deterioration in profits is cost inflation following the extraordinary rises in both interest rates and inflation in the financial year.

The breakdown was as follows:

- Tenant recoveries increased marginally on the financial year 2021-22, from £7.3m to £7.5m, largely due to the costs recovered through the service charge, while occupancy rates remained largely stable.

- Rental income from tenants reduced to £4.2m. The £0.2m reduction was due to more tenants benefitting from rent-free periods following the completion of Phase 2. The rent-free period is recognised as a discount on the lease contract up to the first break clause and will continue to reduce rental income to the end of the project as more phases complete.
- Revenue grant has increased by £0.3m to £0.5m, this offsets the reduced rental income, as the grant compensates for the rent-free periods offered as part of the tenant settlement agreement.
- Sunday Market income increased by £0.1m to £0.8m as the first full year without COVID-19 restrictions.
- Market operating costs (cleaning, waste and Sunday market costs) increased as both waste collection costs and labour costs within our cleaning contracts saw sharp increases in the year. There was no bad debt provision release in the year to offset these cost pressures. (£1.1m net movement).

Redevelopment project costs not capitalised increased in financial year 2022-23 mostly due to the completion of Phase 2, as costs relating to vacant possession and new leases are not capitalised.

Following a change in accounting policy to recognising the market assets as investment property, in financial years 2021-22 and 2020-21 there had been a fair value loss recognised in the income statement. The valuation of the market land and buildings has decreased by £26.4m to £125.9m (2021-22: £152.3m).

Tax charge has decreased by £1.6m to £0.7m (FY2021-22 restated: £2.3m), due to the Authority assessing that the deferred tax asset previously recognised for trading losses is not expected to be realised in the next couple of years.

The loss for the financial year 2022-23 after tax and change in fair value was £21.0m.

Pension Fund

The deficit relating to the defined benefit pension plan decreased by £1.7m to £0.2m (financial year 2021-22: £1.9m). The Authority paid £0.2m of additional employer contributions to the Pension Fund designed to eradicate this deficit over time. In addition, the plan benefitted from investment income of £0.1m over the financial year. Pension liabilities have reduced significantly during the year to £3.0m from £5.0m in the previous financial year. This was largely due to actuarial gains resulting from an increased discount rate assumption of 4.8% (2021-22: 2.8%).

Net Cash Flow

The level of cash and cash equivalents for the financial year decreased by £3.8m to £26.4m (2021-22: £30.2m).

This decrease was attributable to the following factors:

- A net cash inflow relating to operating activities of £7.6m (2021-22 restated: £7.4m)
- A net cash outflow relating to investment in capital expenditure of £11.4m (2021-22 restated: £21.5m)

The total figure as at 31 March 2022 of £26.4m includes:

£21.1m in respect of monies held for the progression of the development works, however, their release is conditional on the terms in the Development Agreement being met.

£1.7m (2021-22: £1.8m) in respect of monies held on behalf of tenants.

Capital Expenditure and Fixed Assets

Capital expenditure on property, plant and equipment during the financial year totalled £0.1m (2021-22: £0.5m), this related primarily to the new finance and property system which went live in April 2022.

Property, which is held as investment property and measured at fair value, decreased during the year by £8.3m, from £80.0m (restated) to £71.7m. £11.6m of capital expenditure was offset by £19.9m of fair value losses.

Key Performance Indicators

Operational key performance indicators (KPI) are included in the Highlights on page 8. Additionally, the Authority also monitors profitability, rental income, weekly cashflows and the delivery of the redevelopment project.

Financial Risk Management

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

Dividends

The Authority paid no dividends during the financial year (2021-22: £nil). (Note 20)

Political and Charitable Donations

The Authority does not make political donations. During the financial year one charitable donation of £1,000 was made to Dementia UK (2021-22: £2,000).

Business Prospects

The proportion of the redevelopment completed, providing high grade facilities, now standing at 65%, further strengthens the Market's position within the changing landscape of the wholesale market sector in London. This coupled with the unrivalled location makes this the ideal location now and in the future for fresh produce and food service supply.

Sustainability is a priority of the Authority's strategy with opportunities to invest and enhance value being actively investigated. These have the potential to both improve our reputational standing in this area but also to improve operational efficiency and environmental performance. The war in Ukraine continued to create upward pressure on utility pricing during financial year 2022-23, with the predicted increases in annually procured electricity in last year's report crystallising. This is in conjunction with higher rates of inflation led to a challenging economic environment for CGMA to operate within and its tenants to trade in during 2021-22.

CGMA purchases electricity for the estate via Crown Commercial Services Framework and has taken a number of its new units back on to this framework in order to give tenants in these new units the same pricing benefit as those tenants within the old market facilities already on this framework. This arrangement will continue until the end of the redevelopment

to allow parity of pricing of tenants' electricity irrespective of which phase of the redevelopment they are in. The Authority and its tenants have persevered to improve efficiency and reduction of energy use.

Future border controls amendments from Defra for phytosanitary security present a potential risk to some tenants at NCGM importing goods from the EU. These checks are essential to maintain the UK's phytosanitary security however the impact on producers, importers and wholesalers of increased administrative burdens, new physical checks and fees with the possibility of delays of getting goods to market will need to be assessed.

The hospitality industry remains significantly impacted by cost of living, suppressed workforce numbers in central London and the increased operating costs for businesses within the sector. Tenant businesses have been affected but continue to adapt to the evolving situation, with a low number of failures at NCGM to date, but a greater number within their customer base.

In the Fruit and Vegetable Market, occupancy of core trading space decreased marginally to 88% at the end of financial year 2022-23 (89% in 2021-22). Trading challenges have continued with CGMA remaining committed to working collaboratively with our tenant community during this period.

Occupancy in the Flower Market increased slightly to 98% (96% in prior year), which, taken in the context of the challenges for the event and florist industry, is very positive.

The Food Exchange's occupancy was 94% at financial year-end (compared to 88% in 2021-22). The change in office attendance post COVID-19 has contributed to a drop in enquires for spaces. CGMA's ambition is to attract those businesses in larger offices elsewhere to bridge this gap. Mission Kitchen's membership remained strong throughout the year with a number of their members expanding and taking on additional spaces. Maintaining 100% occupancy of the lettable space across the whole Market remains unachievable due to requirement for space to move tenants into to facilitate CGMA adherence to the vacant possession milestones of each project phases. On completion of the project expectations are that business interest and therefore occupancy will be high due to the standard of the facilities on offer and the location.

2024-25 marks NCGM's 50th year of trading, a milestone we will be celebrating while looking toward the completion of the new Market. Whilst there remain challenges and a level of economic uncertainty over the next period, the Authority remains optimistic of a successful and vibrant future for the Market and our tenants. Our resolve and

positivity remain intact and building. CGMA's robust, sound way forward for the Market continues with the belief its tenants and NCGM are more crucial than ever to maintaining a successful fresh produce and flower supply chain for London and the South-East.

Authority Board Members' Responsibilities

As required by the Covent Garden Market Acts 1961-1977 and the Direction given by the Secretary of State for the Department for Environment, Food and Rural Affairs in respect of the annual accounts, the Authority must prepare accounts in accordance with the Covent Garden Market Acts 1961-1977. As a result, the Authority Board Members prepare financial statements for the financial year which must give a true and fair view of the state of affairs of the Authority as stated at the end of the year and of the profit or loss for the trading year.

In preparing the financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether they have been prepared in accordance with IFRS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements and they have complied with the requirements of the Covent Garden Market Acts;
- assess the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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 Acts.

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.



5 Year Summary of Financial Statements

	2018/19 £'000	2019/20 £'000	2020/21 £'000 Restated	2021/22 £'000 Restated	2022/23 £'000
Gross income including finance income	17,734	17,489	14,720	15,907	15,875
Gross expenditure including depreciation	(15,776)	(17,739)	(15,638)	(14,269)	(15,978)
(Deficit)/ Surplus before redevelopment activity	1,958	(249)	(918)	1,638	(103)
Disposal of Assets	-	77	-	-	5
Redevelopment project costs not capitalised	(271)	(2,371)	(2,587)	4	(244)
Change in Fair Value (Loss)/Gain	-	4,083	16,883	6,298	(19,962)
(Deficit)/Surplus before taxation	1,687	1,539	13,378	7,940	(20,304)
Corporation tax and deferred tax	(323)	(2,030)	(2,513)	(2,295)	(680)
Net profit/(loss) after accounting for tax	1,364	(491)	10,865	5,645	(20,984)
Capital and reserves	76,314	86,630	86,931	92,333	72,448

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

for the year ended 31 March 2023

Opinion

We have audited the financial statements of Covent Garden Market Authority (the 'Authority') for the year ended 31 March 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards ("IFRS").

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS; and

- have been prepared in accordance with the requirements of the Covent Garden Market Acts 1961-1977 and the accounts direction given by the secretary of state for the Department for Environment, Food and Rural Affairs (“DEFRA”) in respect of the Annual Accounts for 2022/23.

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 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 United Kingdom, including the Financial Reporting Council’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

In auditing the financial statements, we have concluded that the Boards’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members with respect to going concern are described in the relevant sections of this report.

Emphasis of matter – Financial support

We draw attention to note 1.a of the financial statements, which describes the Authority's reliance on financial support committed by DEFRA. Our opinion is not modified in respect of this matter.

Emphasis of matter – prior year error

In forming our opinion on the financial statements, which is not modified, we draw attention to the disclosures made in the Foreword to the Accounts (page 24) and note 1.u to the financial statements which explains that the prior year Property Plant and Equipment, Investment Property, and Depreciation expense have been restated.

Other information

The other information comprises the information included in the Annual Report, 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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

In the light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we have not identified material misstatements in the Chair's Statement or the Governance Statement. We have nothing to report in respect of the Governance Statement not reflecting compliance with HM Treasury's guidance.

We have nothing to report in respect of the following matters where the compliance with the Companies Act 2006 as if that Act had applied to the entity 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Authority Board Members' Responsibilities statement on page 29, 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 determines 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 intends 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.

Irregularities, including fraud, are instances of noncompliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of noncompliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and

- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or noncompliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of noncompliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

Rajeev Shaunak FCA

Rajeev Shaunak FCA
for and on behalf of
MHA
Registered Auditor
London, United Kingdom
Date: 9 September 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Income Statement

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000 Restated
Revenue	2	14,379	14,480
Grant income	1.1	490	163
Government cost of capital subsidy	1.0	680	780
Total Income		15,549	15,423
Operating expenditure			
Operating costs (excluding staff costs)	3	(11,553)	(10,491)
Board Members and staff costs	10	(2,080)	(2,018)
Impairment (loss)/gain on trade receivables and contract assets	14	(37)	404
Depreciation	12	(228)	(100)
Government cost of capital charge	1.0	(2,030)	(2,030)
		(15,928)	(14,235)
Operating (loss)/profit (before redevelopment activity)		(379)	1,188
Redevelopment project costs not capitalised	4	(244)	4

	Note	2023 £'000	2022 £'000 Restated
Operating (loss)/profit (after redevelopment activity)		(623)	1,192
Gain on sale of assets		5	-
Change in Fair Value (Loss)/Gain	5	(19,962)	6,298
Operating (loss)/profit (before financing)		(20,580)	7,490
Finance income	6	326	484
Finance costs	9	(50)	(34)
(Loss)/Profit before taxation		(20,304)	7,940
Taxation	11	(680)	(2,295)
(Loss)/Profit for the financial year		(20,984)	5,645

Statement of Comprehensive Income

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000 Restated
(Loss)/Profit for the financial year		(20,984)	5,645
Other comprehensive income for the year			
Actuarial profit/(loss) on defined benefit pension plan	16	1,512	(300)
Income tax associated with actuarial loss on pension liability	17	(413)	57
		1,099	(243)
Total comprehensive income for the year		(19,885)	5,402

Statement of Financial Position

as at 31 March 2023

	Note	2023 £'000	2022 £'000 Restated	2021 £'000 Restated
Assets				
Non-current assets				
Property, plant and equipment	12	849	1,016	639
Investment Property	13	71,699	80,041	55,506
Trade and other receivables	14	1,239	5,101	8,720
Total non-current assets		73,787	86,158	64,865
Current assets				
Trade and other receivables	14	7,466	11,092	9,739
Cash and cash equivalents	15	26,398	30,167	44,340
Total current assets		33,864	41,259	54,079
Total assets		107,651	127,417	118,944
Equity and liabilities				
Equity				
Reserve fund	1.h	400	400	400
Retained earnings	1.i	72,048	91,933	86,531
Total equity		72,448	92,133	86,931
Non-current liabilities				
Deferred tax liabilities	17	4,003	2,910	672
Provisions	19	293	4,446	12,631
Employee retirement benefit obligations	16	232	1,889	1,750
Total non-current liabilities		4,528	9,245	15,053

		2023 £'000	2022 £'000	2021 £'000
	Note		Restated	Restated
Current liabilities				
Trade and other payables	18	25,168	21,338	14,306
Provisions	19	3,631	2,980	1,167
Current tax liabilities		1,876	1,521	1,487
Total current liabilities		30,675	25,839	16,960
Total liabilities		35,203	35,084	32,013
Total equity and liabilities		107,651	127,417	118,944

The Accounts were approved by the Authority's Board and were signed on its behalf on 9 September 2024 by:



J Breare
General
Manager



J Lelliott OBE
Chair of Audit and
Risk Assurance
Committee and
interim Chair of
the Authority

Statement of Changes in Equity

for the year ended 31 March 2023

	Non-distributable		Distributable	Total equity £'000
	Reserve fund £'000	Revaluation Reserve £'000	Retained earnings £'000	
Balance at 31 March 2021	400	27,146	69,427	96,973
Impact of correction of errors	-	(28,800)	18,758	(10,042)
Balance at 01 April 2021 (Restated)	400	(1,654)	88,185	86,931
Profit/(Loss) for the year (Restated)	-	6,298	(653)	5,645
Other Comprehensive Income	-	-	(243)	(243)
Total comprehensive income for the year (Restated)	-	6,298	(896)	5,402
Balance at 31 March 2022 (Restated)	400	4,644	87,289	92,333
Loss for the year	-	(19,962)	(1,022)	(20,984)
Other comprehensive income	-	-	1,099	1,099
Total comprehensive income for the year	-	(19,962)	77	(19,885)
Balance at 31 March 2023	400	(15,318)	87,366	72,448

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 and is non-distributable.

Retained earnings comprises of both distributable, £87.4m (2021/22 restated: £87.3m), and non-distributable, (£15.3m) (2021/22 restated: £5.0m) balances. The non-distributable balances represent the losses from changes in fair value on investment property.

Statement of Cash Flows

for the year ended 31 March 2023

		2023	2022
		£'000	£'000
	Note		Restated
Cash flows from operating activities			
(Loss)/Profit before taxation		(20,304)	7,940
Net finance income	6	(326)	(484)
Net finance costs	9	50	34
Operating (Loss)/Profit		(20,580)	7,490
Total depreciation charge	12	228	100
Net employer contribution after administration cost	16	(145)	(161)
(Loss)/gain on fair value (Investment property)	13	19,962	(6,298)
Reversal of impairment provision on trade receivable	14	(228)	(1,064)
		(763)	67
Decrease in trade and other receivables excl. impairment provision	14	7,716	6,590
Increase in trade and other payables	18	327	660
Cash generated from operating activities		7,280	7,317
Income taxes refund		356	34
Net cash from operating activities		7,636	7,351

		2023 £'000	2022 £'000 Restated
Cash flows from investing activities	Note		
Interest received	6	326	484
Purchases of property, plant and equipment	12	(61)	(477)
Addition to investment property under construction	13	(11,620)	(18,237)
Prepayments to developer		-	(3,260)
Net cash used in investing activities		(11,355)	(21,490)
Cash flows from financing activities			
Interest costs on pension	9	(50)	(34)
Net cash from financing activities		(50)	(34)
Net decrease in cash and cash equivalents		(3,769)	(14,173)
Cash and cash equivalents at beginning of year	15	30,167	44,340
Cash and cash equivalents at end of year	15	26,398	30,167



Notes to the Accounts for the year ended 31 March 2022

I. 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 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 2022/23 have been prepared in accordance with the Direction provided by Defra and the legislative requirements of the Covent Garden Market Act 1961 as follows:

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

- ii. The Authority shall keep proper accounts and proper records in relation to the accounts and shall prepare in respect of each accounting period a statement of accounts in such form as the Secretary of State, with the approval of HM Treasury, may direct, being a form which shall conform to the best commercial standards.
- iii. The accounts of the Authority shall be audited by auditors to be appointed by the Authority with the approval of the Secretary of State, and a person shall not be qualified to be appointed unless they are a member of one or more of the following bodies:
- The Institute of Chartered Accountants in England and 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 them 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.

Basis of measurement

The financial statements have been prepared under the historical cost convention except for, where disclosed in the accounting policies, certain items shown at fair value.

- Investment property – measured at fair value
- Defined benefit pension plans – plan assets measured at fair value

Going Concern

The Authority's Board is required to give an opinion as to whether there is a reasonable expectation that adequate resources exist for the Authority to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of signing of the Auditor's Report. Any such view must take account of the need for substantial investment in the Market's facilities, and the risks identified in the section 'Principal Risks and Uncertainties' in the Governance Statement on page 20.

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

- The Authority's statutory powers to borrow and grant debentures, in the context of a largely unused statutory borrowing limit of £45m and the availability of unencumbered assets.
- The Authority's statutory power to dispose of or let land that is not required for the purposes of its statutory duties, to release funds to support compliance with those statutory duties (in accordance with s.18 of the Covent Garden Market Act 1961).
- The availability of qualifying expenditure to offset chargeable gains on previous disposals of surplus land.
- The contractual arrangements with VSM and their ability to complete the works. The contract with VSM provides the Authority with various forms of protection to mitigate the risk that VSM fail to fulfil their obligations to complete the redevelopment. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights.
- Projected cash flows and associated forecast financial statements taken from the updated projections in the Long-Term Business Plan, which covers the remaining period of the redevelopment to 2027 and extends further out to the end of the 2030/31 financial year.
- The requirement for the continued existence of the Authority as a public corporation pursuant

to the Covent Garden Market Acts, and the fact that the Authority's statutory duties are, for financial purposes, confined to:

- breaking even, taking one year with another; and
- building up a surplus for reinvestment for the benefit of the Market.
- The continuing impact of the confirmed external financial support for CGMA forthcoming from Defra in relation to the settlement of the tenant litigation in 2020, in accordance with the funding approval letter issued to the Board of CGMA and dated 12 August 2020.

The fair value losses which have impacted our financial statements this year primarily reflect fluctuations in the property market due to the significant increases in inflation and interest rates during the period, and do not undermine our ability to operate as a going concern.

The assessment shows that the Authority remains a going concern.

The Board believes the scenarios modelled are prudent and, taking into account support offered by Defra, is therefore of the opinion that there is reasonable assurance that it has adequate resources to continue in operational existence for the foreseeable future.

b. Critical accounting judgements and key sources of estimation uncertainty

The preparation of accounts in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period.

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

The main areas of estimation / judgement are provided below.

i. Recoverability of trade and other receivables

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

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

and estimates of loss on default. The carrying amount of the Authority's trade receivables in these accounts, net of provisions, is £3.978m (2021/22 restated: £2.113m).

All individual other receivables balances are reviewed on a quarterly basis. Whilst every attempt is made to ensure that any bad debt provision is as accurate as possible, there remains a risk that the provisions do not match the level of debt which may ultimately prove to be uncollectible. The carrying amount of the Authority's other receivables in these accounts, net of provisions, is £0.008m (2021/22 restated: £0.277m).

ii. Lease incentives discount term

Rent-free periods are offered on some leases, these are recognised as lease incentives and discounted over the period to the first break period or a subsequent period if management judge that it is not probable that an earlier break point will be exercised. Management review each lease where an incentive is offered and consider the probability of the tenant exercising their right to break at each break point in the lease. The discount period being that duration that is considered most probable by management.

iii. 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 1.j and 16 for further details.

The main areas of judgement are provided below.

iv. Provision for taxation

In providing for tax due, the Authority has made judgements regarding the availability of certain deductions for tax purposes. The key area of judgement relates to the Authority's application for rollover relief on the sale of the Northern Site. We have received correspondence from HMRC with regard to the rollover relief, which clarifies the guidance on the application for an extension and the timelines associated with the qualifying period. They confirmed that there would be no assessment on the extension of the rollover relief period until 31 March 2022. Following the reporting period, the Authority provided details to HMRC regarding additional qualifying expenditure incurred during the rollover period. but have had no further communication yet.

As such there is uncertainty whether HMRC will agree that the Authority has reinvested the remainder of the chargeable gains from the sale of the Northern Site. A provision of £1.9m is still being recognised, representing the potential tax impact should rollover relief not be fully available.

v. 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”. Management had initially assessed these to be an exchange transaction however having considered both the legal position and substance of the arrangements in the light of the International Accounting Standards Board’s Conceptual Framework for Financial Reporting (revised 2018), management have concluded that all indicators suggest that this is not an exchange transaction and therefore the Authority has accounted for it as such.

In prior periods, this was incorrectly accounted for as an exchange transaction. This has been corrected in the prior set of accounts. Continuing review into the accounting for Fixed Assets, with specific focus on the redevelopment highlighted that tertiary assets had erroneously remained within the carrying value of property, plant and equipment. This has been corrected in this set of accounts with the prior period being restated.

Further detail on the impact of the change in the accounting policy is included in note I.u.

vi. Classification of Investment Property

The Authority recognises property that generates income from rent and service charge as investment property. The new market assets during the construction phase are recognised as investment property under construction and as the market buildings are completed and handed over to the Authority from the developer for use they are transferred to Investment Property Land and Buildings. As investment property they are held at fair value with any fair value gains or losses being taken to the Income Statement. Land, plant, machinery and equipment that is integral to these investment properties are recognised within the fair value of the property and not recognised separately.

The Authority operates from within one of the buildings recognised as investment property. As the portion of the building cannot be sold separately and comprises only 6% of the total lettable square foot of the building, it has been included within Investment Property.

Existing Market buildings (which have not been constructed as part of the redevelopment project) are held as Property, Plant and

Equipment, with the majority having a carrying value of zero, are scheduled for demolition as part of the redevelopment project.

Further detail on the impact of the change in accounting policy are included in note I.u.

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

As disclosed in note 19, during the year 2020/21, the Authority reached settlement with the tenants and VSM in relation to the litigation and dispute respectively, with those parties. Management's estimate of the total economic outflow required to settle the obligation was based on the terms of the settlement agreement. Some of these costs were fixed in nature and have been included at the value stipulated in the agreement.

Certain other terms of the settlement require management to undertake specific fit-out works for which a contractor quote has still not yet been finalised. As a result, management have made their best estimate of what this quote may be to arrive at the year-end provision.

As disclosed in the same note, Defra has provided financial support to the Authority to enable it to reach the settlement with the tenants.

Management was required to make a judgement over the timing of this support being received.

No estimation of the quantum of the debtor was required as the asset represents an equal and opposite amount to the corresponding provision.

viii. Valuation attributable to the redeveloped market

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 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, which is that of a bulk horticultural market as per the obligations under the Covent Garden Market Acts. Gerald Eve have updated their valuation as at 31 March 2023 to take into account any adjustments to income and cost expectations anticipated.

The value of the construction in progress is based on the fair value of the completed market, less property capitalised to date, less an estimate of the total actual costs to complete and a reasonable profit margin. The estimate of the total actual costs to complete the development with a reasonable profit margin 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.

When measuring the fair value of an asset the Authority uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Authority recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 13.

c. New Standards and Interpretations

There have been no new International Financial Reporting Standards ('IFRS') recently issued or are due to be issued shortly which will have an effect on the Authority.

d. Change in accounting policy

For the year ending 31 March 2022, the Authority changed its accounting policy for land and buildings that earns rental income for the Authority to Investment Property, as management believes that it meets the criteria for Investment Property as set out in IAS 40.

Under IAS 40.5, investment property is property held to earn rental income or for capital appreciation, or both, rather than for

- a. the use in the production or supply of goods or services or for administrative purposes; or
- b. sale in the ordinary course of business

However, in the application of the new accounting policy, errors were made which have been corrected as part of the prior year adjustments as noted in I.u

Management recognises that under the Covent Garden Market Act (1961) the statutory requirement for the Authority to operate a “bulk horticultural market”, requires the buildings are held even if rent was not being earned, however, management judge that there is a need to charge rent on these buildings to meet its other commitments, which include repayment of the cash flow support from Defra prior to the end of the redevelopment; and enhancement of the wider estate.

e. Property, plant and equipment

i. Properties

The Authority adopted the transitional arrangements available under IFRS I ‘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 3 and 20 years. The newly constructed market assets are recognised as investment property (see note 1.b.v and vi). Land and plant and equipment that is integral to the newly constructed buildings are included within the investment property values. Land held as plant, property and equipment is not depreciated.

ii. IFRS16 Lease as lessor

The Authority leases out its investment property. The Authority has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 22 sets out information about the operating leases of investment property.

iii. 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 fifteen years.

f. 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.

g. 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 the land options within the redevelopment agreement, the proceeds comprise of cash received, and entitlement to additional allowances under the development agreement. Profit or loss on disposal

of assets also includes any overage amounts due in relation to the asset sold, provided the conditions for receipt have been met and it is probable that amounts will be received.

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 Defra and transfers to Reserve fund. A proportion of retained earnings is from Fair Value Gains and is not distributable. Further detail is included in the Statement of Changes in Equity.

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 (loss)/profit. Interest on the scheme liabilities net of the interest on scheme assets is included in the finance costs.

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

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. Grants

Revenue grants are not recognised until there is reasonable assurance that the Authority will comply with the performance conditions attaching

to them and that the grants will be received. These grants are recognised in the Income Statement on a systematic basis over the periods in which the Authority recognises as expenses the related costs for which the grants are intended to compensate.

Government grant funding received from Defra to enable CGMA to meet the terms of the tenant settlement is repayable in the form of future distributions to be made by the Authority to Defra at a time when the Authority is capable of doing so. There are no agreed repayment terms and no requirement to pay if the Authority's income does not recover within the development timetable.

Amounts are recognised in the Income Statement in line with related expenditure.

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

i. Rent, sales of services and other income

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

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

Rent-free periods are offered on some lease arrangements and recognised as a lease incentive and discounted over the period to the first break option, or to subsequent break date if management judge it is not probable for the tenant to exercise their right of break earlier. The value of the discount is the total of the rent foregone. The discount period is the duration from the commencement of the rent-free period to the most probable break date. For new tenants, this will be the first break date in the lease contract. The discount value is recognised evenly over the period of the contract to the probable break date.

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

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

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

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.

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.

Included within interest income is interest due to the Authority from the developer under the development agreement. The development creditor is obliged to pay the Authority interest on any balances due to the Authority but not

yet drawn down, at an annual rate of 3.5% compounding daily. Previously this has been recognised within the development creditors balance as there was an expectation that the interest could not be drawn down before the completion of the new market. However, during 2022/23, CGMA agreed an accelerated drawn down from the development account with VSM. Management have therefore judged that the interest is available to CGMA throughout the project and have retrospectively updated its accounting policy to the start of the redevelopment to reflect this. See note I.u for the impact of adjustment.

Interest income on the cash held for the progression of the development works (note I.n.ii) does not belong to the Authority and is recognised as a liability and due to the developer on completion of the development.

n. Financial instruments

Interest income is recognised within finance income and finance costs in the Statement of Income using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected

life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Authority estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

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 to reflect the nature of this arrangement. See note 18 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.

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 2021/22 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. Contingent liabilities and provisions

i. Contingent liabilities

A contingent liability is recognised when the Authority has either a possible obligation depending on an uncertain future event, or a present obligation but where payment is not probable, or the amount cannot be measured reliably. If this is the case, the Authority will include the contingent liability in its financial statements via disclosure only.

ii. Provisions

Provisions are recognised when the Authority has a present obligation as a result of a past event, and it is probable that the Authority will be required to settle that obligation. Provisions

are measured at the Board's best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date and are discounted to present value where the effect is material.

iii. Reimbursement asset

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

q. 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. Thirty-three purchase days (2021/22 – thirty-three) were outstanding on the purchase ledger at the year end.

r. Ultimate controlling party

The Authority is classified as a Public Corporation, which operates under a framework 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.

s. Redevelopment project costs

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

t. Breaking even

The Authority has a statutory obligation under the Acts to “to secure that their revenues are not less than sufficient to meet all sums properly chargeable to revenue account, taking one year with another”. Management have judged this to mean the Authority must not make an operating loss after redevelopment activity on a continual basis.

u. Correction of errors and subsequent restatement

Correction of errors

In 2022, the Authority changed its accounting policy on recognition of the new market buildings from Property, Plant, and Equipment to Investment Property. This change in accounting policy was reflected in the March 2022 accounts as a prior year restatement.

In 2023, the Authority identified an accounting error on the application of the accounting policy change concerning certain tertiary assets, including football pitches, the flower market multi-storey car park, waste compound, welfare block etc. These assets were a part of the new redevelopment market and had been factored in the fair value of the investment property. However, it was discovered that these assets were not transferred from Property, plant, and equipment to Investment property. Consequently, they have erroneously been a part of the carrying value of property, plant, and equipment in the financial statements. As a result of this oversight, the net book value of the freehold building classified under property, plant, and equipment has been inaccurately overstated by £4.8 million in 2021/22 and 2020/21. Additionally, an error was identified in the project cost capitalised to investment property under construction since 2016/17 and completed investment property in 2019/20.

An error was also identified in the recognition of the auditors remuneration, with the expenditure incurred incorrectly being recognised in the period work was carried out, resulting in the fees being understated in the 2021/22 financial statements.

The errors have been corrected by restating each of the affected financial statement line items for the prior periods

Consolidation statement of financial position

Impact of adjustments	As previously reported £'000	Adjustment £'000	As restated £'000
01 April 2021	£'000		
1 Investment property	63,593	(8,087)	55,506
2 Trade and other receivables	20,938	(2,479)	18,459
3 Property, plant and equipment	5,476	(4,837)	639
4 Cash and cash equivalent	44,340	-no impact-	44,340
5 Deferred Tax	1,264	(1,264)	-no impact-
6 Others	1	(1)	-no impact-
Total assets	135,612	(16,668)	118,944
7 Trade and other payables	16,786	(2,480)	14,306
8 Deferred and current tax provision	6,306	(4,147)	2,159
9 Others	15,547	1	15,548
Total liabilities	38,639	(6,626)	32,013
10 Retained earnings	96,573	(10,042)	86,531
11 Others	400	-no impact-	400
Total equity	96,973	(10,042)	86,931

Remarks

1. Adjustment relating to transfer of tertiary assets from property, plant and equipment to investment property completed, and transfer of project costs from investment property completed to investment property assets under construction. The transfer of project costs adjustment represents impairment of Asset under construction. The recoverable amount of the Asset under construction was less than the carrying value of the asset. The recoverable amount being the fair value of the Asset under construction less the cost to complete. (see Note 1.u)
2. Adjustment netting off the development receivable and payable balances
3. Adjustment relating to transfer of tertiary assets from property, plant and equipment to investment property completed. (see Note 1.u)
4. Cash and cash equivalents not restated
5. The tax impact of the adjustment relating to transfer of tertiary assets from property, plant and equipment to investment property completed, and transfer of project costs from investment property completed to investment property assets under construction. (see Note 1.u)
6. Rounding adjustment

7. Adjustment netting off the development receivable and payable balances
 8. The tax impact of the adjustment relating to transfer of tertiary assets from property, plant and equipment to investment property completed, and transfer of project costs from investment property completed to investment property assets under construction. (see Note 1.u)
 9. Rounding adjustment
 10. Opening retained earnings and P&L impact of adjustments - The adjustments are on account of:
 - Correction of error – This represents correction of the overstatement of fair value gains due to tertiary assets remaining in the carrying value of property, plant and equipment and the impairment of opening Asset under construction balance (accounted for as investment property completed) since the carrying value of the asset was lower than its recoverable amount.
- ii. Other equity items that are not impacted by restatement

Impact of adjustments	As previously reported £'000	Adjustment £'000	As restated £'000
31 March 2022			
1 Investment property	79,476	565	80,041
2 Trade and other receivables	20,633	(4,440)	16,193
3 Property, plant and equipment	5,787	(4,771)	1,016
4 Cash and cash equivalent	30,167	-no impact-	30,167
5 Deferred tax asset	1,274	(1,274)	-no impact-
6 Others	-	-no impact-	-
7 Trade and other payables	23,624	(2,286)	21,338
8 Deferred & Current tax provision	8,135	(3,704)	4,431
9 Others	9,315	-no impact-	9,315
Total liabilities	41,074	(5,990)	35,084
10 Retained earnings	95,863	(3,930)	91,933
11 Others	400	-no impact-	400
Total equity	96,263	(3,930)	92,333

Remarks

1. Adjustment relating to transfer of tertiary assets from property, plant and equipment to investment property completed, and transfer of project costs from investment property completed to investment property assets under construction. The transfer of project costs adjustment represents impairment of Asset under construction. The recoverable amount of the Asset under construction was less than the carrying value of the asset. The recoverable amount being the fair value of the Asset under construction less the cost to complete. (see Note 1.u)
2. Adjustment relating to Asset under construction erroneously reversed in the prior period as part of the transfer of property, plant and equipment to investment property and netting off development receivable and payable
3. Adjustment relating to transfer of tertiary assets from property, plant and equipment to investment property completed. (see Note 1.u)
4. Cash and cash equivalents not restated
5. The tax impact of the adjustment relating to transfer of tertiary assets from property, plant and equipment to investment property completed, and transfer of project costs from investment property completed to investment property assets under construction. (see Note 1.u)

6. Others not restated
7. Adjustment relating to the correction of the auditors remuneration in the fiscal period to which the work relates and netting off development receivable and payable
8. The tax impact of the adjustment relating to transfer of tertiary assets from property, plant and equipment to investment property completed, and transfer of project costs from investment property completed to investment property assets under construction. (see Note I.u)
9. Other liabilities not restated
10. Opening retained earnings and P&L impact of adjustments - The adjustments are on account of:
 - Correction of error – This represents correction of the overstatement of fair value gains due to tertiary assets remaining in the carrying value of property, plant and equipment and the impairment of opening Asset under construction balance (accounted for as investment property completed) since the carrying value of the asset was lower than its recoverable amount.
11. Other equity items that are not impacted by restatement

Consolidation statement of profit or loss and other comprehensive income

For the year ended 31 March 2022

Impact of correction of error	As previously reported £'000	Adjustment £'000	As restated £'000
31 March 2022			
1 Fair Value Increase	(603)	6,901	6,298
2 Depreciation	(164)	64	(100)
3 Operating Costs excluding staff	(9,686)	(399)	(10,085)
4 Corporation tax	(1,842)	453	(2,295)
5 Others	11,585	(1)	11,584
Total comprehensive income	(710)	6,112	5,402

Remarks

1. Adjustment on account of the fair value gain being understated due to the incorrect carrying value of tertiary property and project costs within investment property.
2. Adjustment on account of reversal of depreciation from tertiary property as property, plant and equipment to investment property completed.

3. Adjustment on account of the correction of the auditors remuneration in the fiscal period to which the work relates.
4. The tax impact of the adjustment relating to transfer of tertiary assets from property, plant and equipment to investment property completed, and transfer of project costs from investment property completed to investment property assets under construction. (see Note 1.u)
5. Rounding adjustment.

2. Revenue

	2023 £'000	2022 £'000
Income from tenants		
Rents	4,169	4,384
Recoveries from tenants	7,544	7,256
Other revenue		
Commercial vehicle charges	1,041	1,110
Car and coach parking charges, etc.	283	264
Sunday Market	771	737
Miscellaneous receipts	571	729
	14,379	14,480

3. Operating costs (excluding staff costs)

	2023 £'000	2022 £'000 Restated
Market security	1,452	1,238
Rates	965	378
Maintenance, repairs, and renewals	948	1,309
Cleaning and waste	3,472	2,804
Heat, light and power	2,022	1,953
Insurance	728	609
Printing, stationery, and telephone	60	94
Professional fees	976	936
Publicity	109	104
Sunday Market operating costs	532	511
IT Costs	142	143
General expenses	131	412
Pension costs	16	-
	11,553	10,491

4. Redevelopment project costs not capitalised

	2023 £'000	2022 £'000
Administrative costs and advisory fees	244	(4)
	244	(4)

5. Change in fair value

	Note	2023 £'000	2022 £'000 restated
Fair value (loss)/gain on investment property	13	(19,962)	6,298
		(19,962)	6,298

6. Finance income

	2023 £'000	2022 £'000
Bank interest receivable:		
On market activities	22	-
Finance income – other:	-	-
On redevelopment activities	304	484
	326	484

Finance income on redevelopment activities relates to the interest the developer is obliged to pay the Authority on any undrawn funds.

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

	Note	2023 £'000	2022 £'000 restated
Staff costs	10	2,080	2,018
Depreciation of property, plant and equipment	12	228	100
		2,308	2,118

8. Auditor's remuneration

	2023 £'000	2022 £'000 restated
Fees payable to the Authority's auditor for the audit of the Authority's annual accounts	289	114
Fees payable to the Authority's auditor for other services:		
Relating to taxation	21	19
Relating to other services	29	3
Fees payable to the Authority's auditor in respect of associated pension schemes	-	10
	50	32

9. Finance costs

	Note	2023 £'000	2022 £'000
Net interest costs on pension	16	50	34
		50	34

10. The Members and staff costs

The Members of the Authority during the year were:

Mr D Frankish (Chair to November 2022), Mr D Fison, Ms S Calcutt, Mrs F Fell, Mrs V Wilson, Ms S Turnbull, Mr J Lelliott OBE.

Sarah Calcutt was the highest paid member during the year due to taking on additional Executive duties up to November 2022. During the year the Board's emoluments were as follows:

	2023 £	2022 £
David Frankish (left 18.11.22)	42,710	89,973
John Lelliott (Chair from 1.12.22)	30,627	21,560
David Fison	20,118	18,720
Sarah Calcutt	49,386	18,903
Fiona Fell	21,165	20,336
Victoria Wilson	22,294	23,828
Sara Turnbull (last board on 30.3.23)	20,118	18,720
Total	206,418	212,040

In November 2022, David Frankish stepped down from the Authority Board and has been replaced by John Lelliott, acting as interim Chair. In addition, Members are reimbursed for expenses incurred in fulfilling their duties. During the year, David Frankish was paid £12,030 in respect of reimbursed expenses mainly relating to home to work and overnight accommodation. (2021/22 £16,137). John Lelliott was paid £994 in respect of reimbursed expenses mainly relating to home to work.

Member's other emoluments were in the following ranges:

	2023	2022
	£	£
£0 - £20,000	7	3
£20,001 - £25,000	-	3

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

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

	2023	2022
Administration	30	30
	30	30

Staff costs for the above persons were:

	2023 £'000	2022 £'000
Board Members - aggregate emoluments	206	212
Wages and salaries	1,723	1,625
Social security costs	219	199
Pension service costs	233	217
Termination benefits	-	68
Total payroll cost	2,381	2,321
Less amounts capitalised during the year	(301)	(303)
Board Members and staff costs	2,080	2,018

The following number of employees received salaries in the ranges:

	2023	2022
£0 - £50,000	16	15
£50,001 - £100,000	9	13
£100,001 - £150,000	5	4

Expenses

Total of expenses paid and reimbursed to Chair, Members and employees for travel and entertainment (including meetings) amounted to £26,926 in the year ended 31 March 2023 (2021/22: £17,431).

II. Taxation

	Note	2023 £'000	2022 £'000 Restated
UK Corporation Tax on losses for the year		-	-
Adjustment to previous year's tax provision		-	-
Total current tax charge			-
Deferred tax – utilisation and reversal of timing differences		680	322
Adjustments to previous year's tax provision		-	453
Effect on tax rate change on opening balance		-	1,520
Total deferred tax	17	680	2,295
Total tax charge		680	2,295

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

	2023 £'000	2022 £'000
Tax reconciliation		
(Loss)/Profit before taxation	(20,304)	7,940
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2020/21: 19%)	(3,858)	261
Tax effects of:		
Expenses not allowable for taxation	3,753	116
Fixed asset differences	(162)	(13)
Losses carried back	-	-
Adjustment to tax charges in respect of previous years	-	453
Adjustments to brought forward values	2,373	351
Deferred tax relating to other comprehensive income	-	57
Income not taxable for tax purposes	-	(31)
Chargeable gains/(losses)	(6,443)	-
Remeasurement of deferred tax for changes in tax rates	(406)	1,282
Movement in deferred tax not recognised	5,423	-
Fair value adjustments	-	(181)
Total tax charge	680	2,295

The UK government has announced that the standard rate of corporation tax will remain at 19% for the 2021/22 and 2022/23 tax years. We have received correspondence from HMRC with regard to the extension of the statutory reinvestment periods in relation to the provisional rollover relief claims on the Northern site sale in August 2017, which clarifies the guidance on the application for an extension and the timelines associated with the qualifying period. HMRC confirmed that there would be no assessment on the extension of the rollover relief period until 31 March 2022. Following the reporting period, the Authority provided details to HMRC regarding additional qualifying expenditure incurred during the rollover period, but have had no further communication. Given this there remains a provision for the additional corporation tax due of £1.9m in the accounts.

12. Property, plant and equipment

		Freehold buildings	Leasehold buildings	Plant, equipment and motor vehicles	Construction in Progress	Total
	Note	£'000	£'000	£'000	£'000	£'000
Cost						
At 31 March 2021 (Restated)		6,428	1,168	3,280	379	11,255
Additions		-	-	379	98	477
Transfers		-	-	-	-	-
Disposals		-	-	-	-	-
At 31 March 2022 (Restated)		6,428	1,168	3,659	477	11,732
Additions		-	-	53	8	61
Transfers		-	-	69	(69)	-
Disposals		-	-	(17)	-	(17)
At 31 March 2023		6,428	1,168	3,764	416	11,776
Depreciation						
At 31 March 2021 (Restated)		6,380	1,168	3,068	-	10,616
Transfers		-	-	-	-	-
Charge for the year	7	-	-	100	-	100
Disposals		-	-	-	-	-

		Freehold buildings	Leasehold buildings	Plant, equipment and motor vehicles	Construction in Progress	Total
	Note	£'000	£'000	£'000	£'000	£'000
At 31 March 2022 (Restated)		6,380	1,168	3,168	-	10,716
Transfers		-	-	-	-	-
Charge for the year	7	-	-	228	-	228
Disposals		-	-	(17)	-	(17)
At 31 March 2023		6,380	1,168	3,379	-	10,927
Net book value						
At 31 March 2023		48	-	385	416	849
At 31 March 2022 (Restated)		48	-	491	477	1,016

13. Investment property

a. Reconciliation of carrying amount

	Note	Land £'000	Freehold buildings £'000	Investment property under construction £'000	Total £'000
Carrying Value (fair value)					
At 31 March 2021 (Restated)		19,265	35,848	393	55,506
Additions		-	-	18,237	18,237
Transfers		-	5,615	(5,615)	-
Fair value gain	5	3,705	3,703	(1,110)	6,298
At 31 March 2022 (Restated)		22,970	45,166	11,905	80,041
Additions		-	-	11,620	11,620
Transfers		-	11,338	(11,338)	-
Fair value gain	5	(9,320)	788	(11,430)	(19,962)
At 31 March 2023		13,650	57,292	757	71,699

Investment property consists of the new market buildings being constructed under the development agreement with VSM. These buildings are leased to the tenants of New Covent Garden Market and have break clauses in 2025, 2027 (on completion of the market) and 2030. Lessees are not anticipated to exercise their rights to break their lease in 2025, due to their investment in the fit-out of their new units.

Changes in fair values are recognised as gains in profit or loss and included following operating profit/(loss) (after redevelopment activity). All gains are unrealised.

b. Amounts recognised in profit or loss

Rental income recognised by the Authority during 2022/23 was £4.2m (2021/22: £4.4m) (See note 2). Tenant recoveries which include reimbursement of service charge costs and direct recovery of electricity costs and waste collection services were £7.6m (2021/22: £7.3m) (See note 2).

c. Measurement of fair values

i. Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications, having experience in the category of the property being valued. The independent valuers provide the fair value of the Authority's investment property portfolio on an annual basis.

The fair value measurement for the investment properties has been categorised as level 3 fair value based on the inputs to the valuation technique used (see note 1.b.viii).

ii. Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement.
<p>Discounted cashflow analysis: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rents for each building type, once the redevelopment is complete, occupancy rate and other costs not paid by tenants, over a 30-year term.</p>	<ul style="list-style-type: none"> • Expected market rental growth (2022/23: 2.5%; 2021/22: 2.25%) • Occupancy rates (2022/23: 95-100%, weighted average 99% ; 2021/22: 95-100%, weighted average 98%) • Risk-adjusted discount rates (2022/23: 7.25%, 2021/22: 7.25%) 	<p>The estimated fair value would increase (decrease) by:</p> <ul style="list-style-type: none"> • £4.8m / (4.6m) if the expected market rental growth were 0.25% higher (lower) • £4.6m / (£4.4m) if occupancy rates were 1% higher (lower) • £4.6m / (£4.4m) if the risk-adjusted discount rate were 0.25% lower (higher)
<p>The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the performance and nature of the current Fruit and Vegetable Industry, the market's location, and lease terms.</p>		

14. Trade and other receivables

Current trade and other receivables

	2023 £'000	2022 £'000 Restated	2021 £'000 Restated
Trade receivables	4,519	2,887	4,047
Less: provision for impairment	(541)	(774)	(1,849)
Trade receivables, net	3,978	2,113	2,198
Amounts due from Defra	2,435	2,075	4,828
Other receivables	356	620	370
Less: provision for impairment	(348)	(343)	(332)
Other receivables, net	8	277	38
Other taxes and social security receivable	-	589	136
Prepayments and accrued income	942	1,482	1,248
Development Partner	103	4,556	1,291
Total current trade and other receivables	7,466	11,092	9,739

Non-current trade and other receivables

	2023 £'000	2022 £'000	2021 £'000
Amounts due from Defra	1,239	5,101	8,720
Total non-current trade and other receivables	1,239	5,101	8,720

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

The Development Partner receivable balance of £7.032m is shown net of the Development Creditor balance of £6.929m.

As outlined in detail in note I.b.i, a provision for impairment of trade receivables is established using an expected loss model. The Authority uses historical evidence on default levels alongside any current objective evidence that the Authority will not be able to collect all amounts due according to the original terms. The Authority considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired.

	2023 £'000	2022 £'000
Provisions for impairment of trade and other receivables:		
As at 1 April 2021	1,117	2,181
Impairment losses reversed	(43)	(404)
Uncollected amounts written off, net of recoveries	(222)	(660)
Receivables impaired in the year	37	-
	889	1,117

As at 31 March 2023, trade receivables of £0.6m were considered to be impaired (2021/22: £0.8m).

As at 31 March 2023, other receivables of £0.3m were considered to be impaired (2021/22: £0.3m).

As at 31 March 2023 trade receivables of £1.3m

(2021/22: £1.8m) were past due but not impaired. This relates to receivables that were all 2-3 months past due.

As at 31 March 2023 other receivables of £nil (2021/22: £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.

15. Cash and cash equivalents

	2023	2022
	£'000	£'000
Bank deposits - sterling	22,815	28,495
Cash at bank and in hand - sterling	3,583	1,672
	26,398	30,167

Included within cash and cash equivalents is £21.1m (2021/22: £26.7m) 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.

Cash balances of £1.7m (2021/22: £1.8m) 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.

16. Employee retirement benefits

The Authority made payments to a defined contribution Pension Fund which it does not administer of £0.2m (2021/22: £0.2m).

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

The most recent actuarial valuation at 5 April 2022 has been updated for IAS19 purposes as at 31 March 2023.

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 considered in the 31 March 2023 IAS 19 calculation.

The Authority made contributions totalling £211,000 to this defined benefit pension plan in the year to 31 March 2023 (2022: £211,000).

The weighted average duration of the defined benefit obligation is around 16 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:

	2023	2022
Retail price inflation:	3.5%	3.9%
Salary escalation:	2.8%	3.1%
Increase to pensions in payment:		-
Increase in deferment with a 5% cap on increase:	2.8%	3.1%
Increase in deferment with a 2.5% cap on increase:	2.5%	2.5%
Discount rate (pre and post retirement):	4.8%	2.8%
Mortality assumptions:		
Base table	100%S3PMA/ 90%S3PFA	100%S3PMA/ 90%S3PFA
Improvement rate	CMI2020 (1.5%)	CMI2020 (1.5%)
Life expectancy at 65 at year end:		
Retiring at year end date	22.4 (M) / 25.0 (F)	22.3 (M) / 24.9 (F)
Retiring 20 years after year end	24.1 (M) / 26.8 (F)	24.0 (M) / 26.7 (F)

	Change in assumption	Change in liabilities
Discount rate	Increase / (Decrease) of 0.25% p.a.	£(203,000) / £225,000
Rate of inflation	Increase / (Decrease) of 0.25% p.a.	£(160,000) / £158,000
Rate of salary growth	Increase / (Decrease) of 0.25% p.a.	Nil / nil
Rate of mortality	Increase / (Decrease) in life expectancy of 1 year	£(92,000) / £92,000

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

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

The best estimate of contributions to be paid by the Authority to the plan for the period commencing 1 April 2023 is £211,000.

The asset distribution of the underlying investments were as follows:

	2023 %	2022 %
Fixed Interest Securities	19.7	12.8
United Kingdom Equities	8.3	12.8
Overseas Equities	25.7	17.2
Emerging Market Equities	6.5	9.0
Absolute Return Fund	12.4	16.4
Property	10.2	15.4
Debt	9.4	8.4
Cash	7.8	8.0
	100.0	100.0

The assets and liabilities of the plan are as follows:

	2023 £'000	2022 £'000
Fair value of plan assets	2,782	3,120
Present value of Defined Benefit Obligation	(3,014)	(5,009)
Deficit in the plan	(232)	(1,889)

Analysis of the amounts charged to the income statement:

	2023 £'000	2022 £'000
Interest income related to plan assets	85	68
Interest expense on retirement benefit obligations	(135)	(102)
	(50)	(34)

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

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

	2023 £'000	2022 £'000
Actual return less interest income on pension scheme assets	43	33
Experience gains and losses arising on the scheme liabilities	(102)	(207)
Changes in assumptions underlying the present value of the scheme liabilities	1,571	(126)
	1,512	(300)

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

	2023 £'000	2022 £'000
Deficit in scheme at beginning of year	(1,889)	(1,750)
Contributions net of administration charge	195	195
Other finance cost	(50)	(34)
Past service costs	-	-
Actuarial gain/(loss)	1,512	(300)
Deficit in scheme at end of year	(232)	(1,889)

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

	2023 £'000	2022 £'000
At the start of the year	3,120	3,138
Interest income	85	68
Actuarial gain	43	33
Employer contributions	211	211
Administration costs (excluding asset management costs)	(16)	(16)
Benefits paid out	(661)	(314)
At the end of the year	2,782	3,120

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

	2023 £'000	2022 £'000
At the start of the year	5,009	4,888
Interest cost	135	102
Actuarial (losses)/gain	(1,469)	333
Benefits paid out	(661)	(314)
At the end of the year	3,014	5,009

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

	2023	2022	2021	2020	2019
Difference between actual return and interest income on scheme assets					
Amount (£'000)	43	33	229	(122)	(163)
Percentage of scheme assets	1.5%	1.1%	7.3%	(4.2%)	(5.0%)
Experience (losses)/gain on scheme liabilities:					
Amount (£'000)	(102)	(207)	133	190	172
Percentage of the present value of scheme liabilities	(3.4%)	(4.1%)	2.7%	4.9%	3.0%
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	1,512	(300)	(642)	1,520	(229)
Percentage of the present value of the scheme liabilities	(50.2%)	6.0%	13.1%	(39.3%)	4.0%
Total assets and liabilities of the scheme:					
Total fair value of scheme assets	2,782	3,120	3,138	2,916	3,119
Total present value of scheme liabilities	(3,014)	(5,009)	(4,888)	(3,871)	(5,726)

17. Deferred taxation

	2023	2022
	£'000	£'000
		Restated
Deferred tax liability	(4,003)	(2,910)

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

	Capital allowances	Investment Properties	Tax losses	Pension Schemes	Total
	£'000	£'000	£'000	£'000	£'000
At 31 March 2021 (Restated)	(1,935)	-	924	339	(672)
Charged to the income statement	(1,087)	(1,161)	(127)	80	(2,295)
Credited to other comprehensive income	-	-	-	57	57
At 31 March 2022 (Restated)	(3,022)	(1,161)	797	476	(2,910)
Charged to income statement	(1,044)	1,161	(797)	-	(680)
Credited to other comprehensive income	-	-	-	(413)	(413)
At 31 March 2023	(4,066)	-	-	63	(4,003)

18. Trade and other payables

	2023 £'000	2022 £'000 Restated	2021 £'000 Restated
Trade payables	(2)	295	1,214
Other tax and social security payable	552	121	405
Accruals and deferred income	22,873	19,138	10,697
Deposits from tenants	1,727	1,766	1,955
Pension contributions	18	18	35
	25,168	21,338	14,306

The development creditor of £6.929m represents amounts held on behalf of our developer within cash and cash equivalents, payments on account in respect to future construction costs and other liabilities associated with the development agreement and works, and is netted against development partner within Trade and other receivables (note 14).

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.

19. Provisions

	2023 £'000	2022 £'000
At the start of the year	7,426	13,798
Utilised in the year	(3,502)	(6,372)
At the end of the year	3,924	7,426

£3,631m (2021/22: £2.980m) of above provision is a current liability and the remainder is a non-current liability.

During the 2020/21 financial year, the Authority reached agreements with both VSM and the tenants in full and final settlement of outstanding claims. The tenant litigation was settled on terms that included changes to the development plans (subject to planning) and commercial terms, relating to the basis on which tenants would be relocated to their new accommodation, such as reimbursement of tenant legal fees, fit-out costs, design changes, installations, and design fees. Management's best estimate of the total economic outflow arising from these terms was £14.6m and this was the basis for the provision in the financial statements as at 31 March 2021. Defra have agreed to fund the costs arising from these stipulated settlement terms and the related debtor balance is reflected within trade and other receivables within these financial statements. During the year, £3.502m of the provision has been utilised as the associated costs were incurred by the Authority.

The dispute with development partner VSM was also settled on terms that included postponing the vacant possession deadlines for the various phases in the Master Programme and amending the Development Agreement to provide greater control of pricing for future changes to the development programme or specification. Although an amount of £0.250m is payable to VSM under the agreement, ultimately the settlement resulted in the development recommencing in accordance with a revised Master Programme. The provision for £0.250m remains as at 31 March 2023.

20. Future expected dividend payment

The Authority is cognisant of the possibility that DEFRA may direct that further dividends may be payable from the excess sale proceeds of future land sales under the development agreement with VSM.

21. Financial instruments

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

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

Liquidity risk

The Authority only invests its surplus funds in short-term deposits with clearing banks or building societies rated PI 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 2023 is as follows:

	2023 Trade and other payables £'000	2022 Trade and other payables £'000 restated
On demand	1,727	1,766
Less than 1 month	-	-
1 to 3 months	23,441	19,572
3 to 6 months	-	-

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

	Fixed	2023 £'000 Floating	Total	Fixed	2022 £'000 Floating	Total
Cash	-	3,583	3,583	-	1,672	1,672
Short-term deposits	21,116	1,699	22,815	26,730	1,765	28,495
	21,116	5,282	26,398	26,730	3,437	30,167

Should floating interest rates decrease by 1%, potential profit and equity of the Authority for the year would decrease by £0.003m (2021/22: £0.003m).

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 14 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.

22. Operating lease

Lease as lessor:

The Authority leases out its investment property. The Authority has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Authority during 2022/23 was £4.2m (2021/22: £4.4m)

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2023 £'000	2022 Restated £'000
Within 1 year	3,634	2,860
Within 1 - 2 years	4,108	2,306
Within 2 - 3 years	3,807	2,290
Within 3 - 4 years	3,389	2,288
Within 4 - 5 years	3,052	2,200
After 5 years	16,489	8,905

23. Related party transactions

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

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

The Authority is classified as a Public Corporation, which operates under a framework 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.

See note 1.0 in respect of a cost of capital charge of £2.0m (2021/22: £2.0m) and associated subsidy of £0.7m (2021/22: £0.8m).

Settlement costs of £3.9m which Defra have committed to fund and £3.7m of receivable due from Defra. During 2022/23, £0.2m of revenue grant funding from Defra was recognised in the Income Statement on the basis that the expenditure which underlined its purpose had been incurred.

Key management personnel remuneration totalled £0.9m (2021/22: £0.9m).

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

See note 16 for details of transactions and balances with the pension plan.

24. Capital commitments

Development costs

On 7 January 2013, the Authority signed a contract with VSM for the redevelopment of the New Covent Garden Market, 57-acre site, through the demolition of all existing structures and redeveloping the

market on a smaller, 37-acre footprint. At 31 March 2023, phase 1 and phase 2 of the programme were complete, and the remaining phases are due to complete by 2027.

VSM has option agreements over the Authority's surplus land, including the Apex site, Entrance site and Thessaly Road site, which total approximately 8.5 acres and are still to be drawn down as at 31 March 2023. The transfer of these parcels of land will represent the final element of the Authority's payments to the Developer in respect of the redevelopment of the market.

25. Subsequent events

Pursuant to an option in the development agreement with VSM, contracts were exchanged in June 2023 to transfer approximately one acre of surplus land at the eastern end of the Market site to a third party buyer. Completion of this sale took place in October 2023, for £34m.

In the following period to these accounts, the Authority has required recourse to a contractual dispute resolution process with VSM which has now concluded. The impact of this (if any) on the overall development programme and development partner relations is not yet known.

The Authority's Management

Appendix I

The Authority's key staff members as at 31 March 2023 were as follows:

Executive Team

Jo Breare	General Manager
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Cassandra Glavin	Head of Finance
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Tony O'Reilly	Project Director
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Alasdair Thomas	General Counsel
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Finance

Funke Ajibola	Finance Manager
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Simon Gilderson	Credit Control Manager
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Operations

Colin Corderoy	Operations Manager
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Glyn Allen	Facilities Manager (Interim)
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Property

Michael Sharkey	Market Manager
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62nd Report and Accounts 2022/2023

Food Exchange

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