Covent Garden Market Authority

Report and Accounts for the accounting period from 1 April 2021 to 31 March 2022

61st Report & Accounts 2021/2022

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

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The Report and Accounts

Bankers

Barclays Bank plc
Birmingham Colmore Row, Leicester LE87 2BB

Banco Bilbao Vizcaya Argentaria
One Canada Square, 44th Floor, Canary Wharf,
London E14 5AA

Auditors

CLA Evelyn Partners Limited
45 Gresham Street, London EC2V 7BG

About Covent Garden Market Authority

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

£4.4m **Rental income**

32 staff **employed by CGMA**

Redeveloping New Covent Garden Market

CGMA, in partnership with VINCI St. Modwen (VSM), is rebuilding New Covent Garden Market (NCGM). This is a long-term project that will see the construction of brand new market buildings and facilities and allow NCGM to continue to feed and flower London for generations to come. At the end of March 2022, the redevelopment was 355 weeks into a 602 week programme and, importantly, on schedule.

The redevelopment of NCGM will provide modern facilities for the 164 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 the proposed Food Quarter for London.

Surplus land from the original 57-acre site is being redeveloped independently to facilitate a new, high quality, residential-led, mixed-use scheme, which will be delivered by a range of developers and consist of 2,973 new 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 ended 31 March 2022 the redevelopment project yielded the following milestones:

- Demolition of the Eastern Link Bridge was completed on schedule at the end of March 2022. This cleared the way for the next phase of the demolition, which is half of A&B Block from the new units down to the Eastern Link Bridge cut-through, with vacant possession taken on 10 October 2022. Construction of that phase is due for completion in February 2024.

- All 24 tenants from the units that are being demolished moved into the new A2 Block, which was delivered on schedule the following July 2023. Plans were in place at year-end to hand over some of the units to tenants as early as May 2022, to enable tenants to commence their fit-outs earlier than planned.

- Negotiations have begun with tenants who will move as part of the third phase of the permanent Fruit and Vegetable Market units.

www.newcoventgardenmarket.com


DANGER
EXCLUSION ZONE
PLANT IN OPERATION
GALLDRIS
LONDON CONCRETE

Highlights

Covent Garden Market Authority's Performance

Revenue from normal trading activity was £14.5m, up from £12.8m in 2020/21. The impact of the COVID-19 pandemic in 2020/21 has largely reversed although trading on the market hasn't fully recovered to 2019/20 levels. Increasing operational costs to be recovered from tenants, as well as decreasing void units during the year, have contributed to the overall increase in rental income and recoveries from tenants.

Other income also increased as we emerged from the periodic lockdowns when the Sunday Market resumed operation and operating traffic volumes recovered to near 2019/20 levels.

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% (2020/21: 89%).

- Fruit & Vegetable Market marginally increased to 89% as at 31 March 2022, from 88% in 2020/21.
- Flower Market remained stable at 96% (2020/21: 96%).
- The Food Exchange building was 88% as at the year end, compared to 87% in the previous year.

General Service Charge (GSC): £ per sq ft

At the start of 2021/22, we introduced a new Royal Institute of Chartered Surveyors (RICS) compliant Service Charge regime applying a GSC per square foot rate, based on the area of the market in which a tenant's unit is located and the costs specifically applicable to that location. The average GSC for the year was £13.58 per sq ft, after a balancing charge of £0.46 from the initial expectation of £13.12 per sq ft. Using the previous methodology, the GSC in 2020/21 was £14.14 per sq ft.

Key Events

The financial year ended 31 March 2022 was inconsistent for tenants at the Market, because of the continuing negative impact of COVID-19.

Through most of the year's first three quarters, COVID-19 continued to significantly affect hospitality businesses across the South-East until all restrictions were lifted towards the end of 2021. Working from home remained the norm rather than the exception in this timeframe too, reducing the people travelling into London and slowing trade with corporate and catering customers. Consequently, the Market's wholesale, catering and flower traders faced substantial levels of uncertainty for a second successive financial year. The final four months of the trading year, which include the busy trading periods of Christmas and Easter, did see an upturn however, and the rebound was felt at differing levels across the Market.

The Food Exchange has established its reputation as a dynamic hub for local and national entrepreneurial businesses, most of which operate food-related business models. Almost a year into its existence on the first floor of the Food Exchange, Mission Kitchen was nearing the 100 member mark and managing to create a real buzz throughout London's foodie community.

Chair's Statement

John Lelliott – Interim Chair

Since joining the Board of CGMA in 2014, I have committed to ensuring that the organisation operates as effectively as possible. Since my appointment as Interim Chair, this has become even more relevant. It is anticipated that I will be in role until Defra complete the process of appointing a new permanent Chair, which is expected to be towards the end of 2023.

The Board wishes to recognise the hard work of staff for their role in delivering the excellent progress and results illustrated within this Annual Report to which I would also like to add a personal note of thanks. In addition, I'd also like to thank my Non-Executive Director colleagues for their invaluable support and wise counsel to both myself and to CGMA. As with any organisation, we face many challenges in the next 12 months and I feel confident that we have the right team in place to achieve success.

As significant progress has been made on the redevelopment of the Market, CGMA took the opportunity to undertake an independent review of its accounting policies associated with the redevelopment to ensure that they were both compliant and relevant to a market of this size being operated by a public corporation. Following this review, it was established that the current policies did not reflect the changes in the IASB's Conceptual Framework for Financial Reporting in relation to the valuation of CGMA's assets. As a result, CGMA has made adjustments in its financial statements to follow best practice, including prior year balances as appropriate. The impact of these adjustments and a full explanation is detailed in disclosure note 1.u of these accounts.

I'd like to add a special note of thanks to our tenants who continue to face the daily challenge of operating a profitable business during our major redevelopment. I applaud their patience and willingness to constructively engage with CGMA to ensure the redevelopment gives us and them the best possible chance of future success and that CGMA recognises that its ability to achieve its goals are intrinsically linked to the success of its tenants.

Working side by side with tenants, we're establishing the platform for New Covent Garden Market to remain as the fruit, vegetable and flower hub for London, the position it has proudly held for centuries. I can confidently predict that the unique mix of established and emerging businesses that operate within the Market will prove to be a catalyst for creativity across the food and drink sector. So New Covent Garden Market, a proud London institution, will help its city to develop its global image for many decades to come.

General Manager's Statement

Jo Breare – General Manager

I am pleased to report in Financial Year 2021-22 CGMA achieved a turnover of £15.4m and an operating profit of £1.5m after redevelopment activities, through the effective operation and management of the New Covent Garden Market estate in the challenging business environment. As with almost all the UK's economy, CGMA's tenants have faced many challenges due to COVID-19. Tenants have been predominantly successful in getting through the pandemic by managing the reduced demand from their established hospitality customer bases and developing other opportunities whilst supply chain issues affected the general public. The tenacity, resilience and determination of our tenants is evident, with some now trading at levels similar to those pre-pandemic, as can be seen from the return of trade information for the year. It must be noted however that the ongoing effects of the war in Ukraine, such as significant energy price rises and the UK's inflation and cost of living increases are of great concern to CGMA and its tenants going forward.

I am immensely proud of the commitment and performance from the CGMA team throughout the pandemic restrictions and beyond to keep the market operating seamlessly, safely, and compliantly with New Covent Garden Market demonstrating its vital role in supply as London's beating garden heart.

I can report that Phase Two of the market redevelopment was completed on schedule at the end of June 2022 with Fruit and Vegetable market tenants completing their fitouts in time for occupation in the second week of October 2022. This is only the second of the six phases of market redevelopment due to complete in 2027 but marks a milestone of 60% completion of the whole programme.

This programme has already seen the move of the Flower Market to its current temporary site and the construction of The Food Exchange, housing a fantastic mix of businesses covering a multitude of themes based on future food innovation and production. One of the most exciting things is the diversity of businesses, these are not only new food product lines, but also a vast range of them, fusing cuisines from all over the world for the London market, along with dietary and nutritional developments and innovations to meet public demand. Entrepreneurial hubs like the Food Exchange will provide a catalyst for future growth, helping London to keep developing the breadth of its offer and enhancing its global image.

On the first floor of the Food Exchange, Mission Kitchen, a facility offering flexible workspace and commercial kitchens to rent, for food startups and small businesses, has enjoyed a very promising first year. This joint enterprise with the Greater London Authority represents a significant investment for CGMA, in financial, social, and intellectual terms. At the one year mark of its existence, it already had around 100 members with many buying products from the market. We anticipate the mutual benefit of the relationships increasing as membership numbers grow.

The completion of Phase Two enabled 24 produce focussed businesses to move into facilities designed in consultation with them and continue serving London with world-class produce from these new premises. With each completed phase, the Market community is seeing real progress and boosting confidence with the realisation of the new buildings' improved facilities. We will continue to work in close partnership with developer VSM and our tenants to create an environment preserving NCGM's status as a vital link in London and the South East's food, drink and flower supply chain, enabling our tenants to thrive.

As a responsible market manager and landlord, CGMA fully understands the value of the knowledge economy and using systems and data for the benefit of our tenants. We updated our finance systems for the new financial year commencing April 2022 and are confident the investment in ICT will significantly increase our transactional capability whilst also supplying tenant data in a manner that supports efficient operation of their businesses.

We have completed a substantive review of CGMA's organisational structure enabling the management team to foster a more vibrant commercially-influenced culture. We intend to build on the progress made, but already see an effective organisation which embraces our statutory duties, enhances our commercial operations, has the ability to provide return on investment, and encompasses expertise available to our tenants.

In the last 12 months we achieved meaningful, valued engagement with our tenants and their customers through the statutory committees, held quarterly, where frank exchange of views and considered advice is offered by attendees.

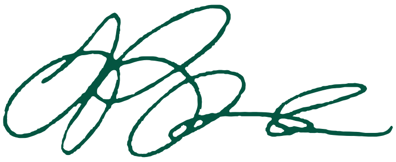
CGMA continues to develop its commitment to Environmental, Social and Governance (ESG) in every aspect of our works and will publish a formal ESG policy in FY 2024/25.

Our strong commitment to sustainability is demonstrated by our continued focus on lowering our carbon and waste footprints. Examples are our commitment to recycling with no waste to landfill, including the use of an offsite anaerobic digestion facility and initiatives to lower the volume of site-produced waste. Our aspirations are to explore further initiatives to deliver positive sustainability impacts.

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 Regeneration programme. With a strong emphasis on supporting its small staff group and further projects under consideration, the social pillar of our ESG policy will ably demonstrate our commitment in this area.

Robust governance has been invaluable to transition to the new organisational structure, reviewing management processes and governance responsibilities. I would like to thank CGMA's non-executive Board members for their support and counsel over the last year.

At the time of writing this report, issues on the world stage are having a demonstrable impact on the domestic market, with an economic slowdown predicted for the UK by many sources. Already there are large rises in energy costs, higher inflation, challenges within the labour market and anecdotal evidence to suggest an ongoing suppressed demand from the hospitality industry. With this backdrop, CGMA's work outside of the day to day will be to become a value-added landlord striving to support our tenants using our expertise, experience, and networks to assist with driving market operator efficiencies. CGMA's tenants have recently demonstrated their resilience and ability to diversify during the COVID-19 pandemic and whilst there is some concern within the tenant community for what the future economic climate will bring, confidence remains high for the ongoing success of the Market.



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.

164 companies trade fruit, vegetables, and flowers but also dairy, ice and gourmet ingredients.

164 Businesses   Turnover **£677m**

Tenant Business Type	£million*
Fruit & Vegetable Wholesalers	151
Fruit & Vegetable Wholesale Distributors	316
Flower Market	57
Other Food Companies	26
Importers	127
Total	**677**

*Figures show total annual turnover from tenants' financial statements, year ending up to 31 March 2022

Governance Statement

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 (Defra) in respect of the annual accounts, the Authority must prepare accounts in accordance with the Companies Act 2006. 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 these financial statements: the Authority Board Members have adopted suitable accounting policies and have applied them consistently; they have made judgements and estimates that are reasonable and prudent; they have prepared them on a going concern basis, in accordance with international accounting standards; and in conformity with the requirements of the Companies Act 2006; and they have complied with the requirements of the Covent Garden Market Acts.

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 & 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.

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.

Whilst the role of Chair of the Authority is non-executive under the Covent Garden Market Act 1961, the Chair acted as Executive Chair from 9 July 2020 to 29 October 2021 in order to provide stability and managerial oversight for the Authority as new management and team structures were implemented following a programme of restructuring.

Following the reporting period, David Frankish stood down as Chair and John Lelliott (OBE), Chair of the Authority's Audit & Risk Assurance Committee was appointed as Interim Chair whilst Defra seek to recruit a replacement.

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 in one case 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 are required by statute to meet at least six times per year. In 2021/22, due to the ongoing redevelopment and the challenges of COVID-19, the board met thirteen times. 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 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.

	Board	Audit & Risk	Remuneration
David Frankish	13/13	-	5/5
John Lelliott	12/13	4/4	5/5
Sara Turnbull	12/13	2/4	-
Victoria Wilson	12/13	-	5/5
Sarah Calcutt	13/13	-	5/5
Fiona Fell	13/13	4/4	-
David Fison	12/13	4/4	-

Audit & Risk Assurance Committee

The Audit & Risk Assurance Committee comprises four Members of the Board. Membership at the year-end consisted of John Lelliott (Chair), Sara Turnbull, Fiona Fell and David Fison. Members of the Executive attend meetings as well as other appropriate Members of the Authority. The Committee met four times during the year 2021/22. The Chair of the Committee provides a regular report to the Board concerning internal controls and risk management policies and procedures after each meeting.

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

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

Remuneration Committee

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

The Committee sets the Authority's remuneration policy and recommends and monitors the level and structure of remuneration for all staff.

Redevelopment Project

During 2021/22 work has continued on building the new Market. In line with the Development Agreement, a Development Review Group meets monthly. This includes representatives from VSM and CGMA. In addition, there are regular site meetings covering different aspects of the redevelopment on either a weekly or monthly basis.

The Authority as a Going Concern

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

Tenant and developer relations

The Authority's working relationship with the tenant community continued to improve during the accounting period, following the settlement in November 2020 of litigation relating to the design and configuration of the new Market buildings. A new RICS-compliant service charge regime was agreed and implemented with effect from April 2021, which brought greater transparency of service costs and charging. The Market's statutory committees met regularly throughout the year, providing a valuable forum for tenants and other stakeholders to discuss issues pertaining to the management and operation of the Market.

The redevelopment of the Market continued to progress on schedule, and also benefited from an improved working relationship with our development partner, VSM, following settlement of a dispute in October 2020.

COVID-19 and Defra grant-in-aid

COVID-19 continued to have a significant impact on the global economy during the accounting period, especially the hospitality sector. Government restrictions significantly affected NCGM's tenants and therefore income levels and cash receipts for the Authority at the start of the year, however, many tenants had cleared the majority of their outstanding invoices by the end of the year. The Authority's ability to enforce debt recovery was also severely restricted during this period, and the Authority adhered rigorously to the Government 'Code of Practice for commercial property relationships during the COVID-19 pandemic'.

To mitigate the dramatic impact on the Authority's cash flow arising from the COVID-19 restrictions, financial support was sought from Defra in the form of a grant-in-aid and £4.521m was made available as part of a wider support package committed by Defra in August 2020. This included working capital and capital expenditure support in respect of a settlement with tenants relating to the design and configuration of the new Market. In accordance with the agreed drawdown profile for this funding, the Authority drew down £7.0m during the period April 2021 to March 2022 and £13.5m in total to date.

It should be noted that a key reason why Defra considered itself able to support the Authority in this way was due to the Authority's status as a public corporation, which means that other forms of COVID-19 support were not available to it. The terms relating to the support package are such that only the £4.521m of COVID-19 cash flow support is to be returned to Defra and this will happen at a point when the Authority's income recovers sufficiently. It has been acknowledged that this may mean the cash flow support will not be repaid until after the redevelopment is complete.

The economic position improved during the accounting period, and although the ultimate impact of COVID-19; the ongoing war in Ukraine; increased inflation rates; and the cost of living crisis, on the Authority and its tenants remains unquantifiable, income collection and occupancy levels have continued to improve. Management have prepared budgets and forecasts for the next financial year as well as beyond in the form of a five-year plan and long term business plan. This shows that the Authority should generate sufficient cash flows to continue in operational existence from a trading perspective for the foreseeable future. However, to the extent that the Authority will experience cash outflows in the coming years in relation to the tenant settlement (both in terms of reduced income and capital expenditure), the Authority is dependent on the committed support from Defra. As Defra has provided the support to date in line with the original agreement, management expect the remaining amounts will be provided in accordance with the agreement if required and therefore believe the Authority will have adequate resources to meet its obligations as they fall due, for a period of at least 12 months from the signing of the financial statements. As a result, the Authority continues to prepare the financial statements on a going concern basis.

Restructuring

The Authority completed a programme of restructuring, with the Finance team providing a more agile structure with more team members qualified and therefore able to own a greater proportion of the Authority's financial processes. The Strategy, Partnerships and Communications team were further restructured to create a more limited Communications and Marketing function directly focused on meeting stakeholder demand. This restructuring process realigns the Authority to meet its statutory purposes and stakeholder expectations.

Going concern

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

- The commercial agreement with VSM and subsequent amendment to the Development Agreement.
- The contractual arrangements with VSM and their ability to complete the works. The contract with VSM provides the Authority with various forms of protection to mitigate the risk that VSM fail to fulfil their obligations to complete the redevelopment. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights.
- The agreement with the tenants to settle the litigation relating to the redevelopment of NCGM.
- 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 impact of the confirmed external financial support for CGMA forthcoming from Defra in relation to the settlement of the tenant litigation and the impact of the COVID-19 pandemic, in accordance with the funding approval letter issued to the Board of CGMA and dated 12 August 2020.
- The lifting of the Government's restrictions due to COVID-19, and the return of the Market's trade to a more normal footing, with consequent beneficial impact on tenants' ability to meet liabilities under their leases.
- Reasonable expectation as to the availability of insurance cover in relation to some of the Authority's COVID-19 related losses.

The assessment shows that provided the impact of COVID-19 remains within the modelled scenarios, 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.

The System of Internal Control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2022 and up to the date of approval of the Report and Accounts and accords with HM Treasury's 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 & Risk Committee meeting and reports are made to the CGMA Board.

Principal Risks and Uncertainties

The Authority considers the risks identified in the table below to be the principal risks and uncertainties facing its business and strategy. The majority show a reduction in both impact and likelihood, a reflection both of the positive progress on the redevelopment and of our improving relationships with our tenants and development partner since our last Annual Report. During this time both the Market and the Authority continued to recover from the adverse impact of the COVID-19 pandemic.

Risk	Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
Pressures on the workforce The Authority continued its programme of restructuring during 2021/22, to better position it to deliver on its statutory purpose. This led to a need to recruit, familiarise and upskill new team members. These challenges increased the risk of lack of resource and single-point failure.	Team members continued to adapt to the new structure, and the improving skills and process familiarity of new team members reduced the risk of single-point failure.	↓	↓
Reputation and confidence There is a risk to CGMA's reputation and the tenants' and other stakeholders' confidence in them as landlord should the project not be delivered to the agreed plan or if the quality of execution affects the market operation.	Settlement agreements with both the tenant litigants and the developer VSM have substantially rebuilt trust and working relationships with these key stakeholders. Ongoing constructive dialogue with both parties continues to reduce this risk year-on-year,	↓	↓
Impact of Coronavirus Pandemic The Authority's exposure to sectors of the economy severely impacted by the pandemic through its tenants' reliance on those sectors (e.g. hospitality and events) creates a risk to its financial viability.	Ongoing support from Defra via the grant-in-aid that was agreed in August 2020 continued to mitigate the risk posed by the continuing effects of the pandemic. Particularly on the Fruit and Vegetable Market, tenants experienced an improvement in trading conditions as the most severe lockdown measures came to an end. This was reflected in their improved ability to meet their liabilities under their leases.	↓	↓

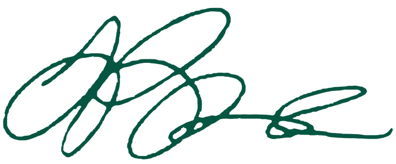
Risk		Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
Cashflow	Costs associated with resolving disputes with the tenants and developer, and the impact of COVID-19 on tenants' abilities to pay their rent and service charge on time, resulted in cashflow challenges for the Authority. Increased risk of tenant insolvencies as a result of the COVID-19 pandemic. Delays in invoicing as a result of implementation of new core finance IT systems (see below).	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 most severe lockdown measures came to an end and the hospitality sector began to recover. The Authority brought in a new credit control manager as part of the Finance team restructuring, and continued to work with tenants to implement payment plans for effective arrears management. See below for mitigation of the system implementation risk.	↓	↓
Insurance cover	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.	All possible insurance claims under the Authority's business continuity cover in respect of the COVID-19 pandemic have now been submitted, and we continue to press the case for further recovery.	↔	↔
Development partner relations	The Authority's relationship with its development partner improved considerably as a result of a settlement agreement, and the risk is now tracked because the relationship is crucial to the success of the redevelopment project, rather than because future problems or disputes are considered likely.	The redevelopment project remains on track to the revised programme, and an effective working relationship has been maintained with the development partner.	↓	↓
Core systems replacement	The Authority began to replace core IT financial management systems during the accounting period, and this resulted in delays to invoicing, which in turn adversely affected the Authority's cashflow.	Manual data inputting was used where necessary to help mitigate the invoicing delays. Efficiency of the new system has improved as issues were identified and corrected.	New	New

Risk	Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
Future revenue streams and tenant business resilience In the dynamic bulk horticultural sector tenants are facing new challenges all the time, and the effect of this is amplified by macro-economic factors. The Authority has to consider how best to help existing tenants navigate these challenges and what types of business might add most value to the Market should there be opportunities to let space to them in the future.	We are considering options to maximise diversity of tenant businesses within the confines of our statutory duties, and looking to identity investment opportunities and potential external partners to support delivery. 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.	New	New

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

Foreword to the Accounts

History, Statutory Background & Principal Activities

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

The Authority recommended that the Market should be relocated, and a scheme was devised for its transfer to a new site at Nine Elms SW8. These proposals were approved by Parliament in 1966 and land was purchased on which the new Market facilities were built.

The Market moved to the current site in 1974 and currently comprises around 164 tenant companies, of which the majority are wholesale and distributive tenants in the horticultural sector. There are a number of other tenants, including importers and firms supplying foodstuffs and catering and other services.

The 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 wholesale redevelopment to create a renewed Market estate.

In addition to providing facilities, such as warehouse and office premises, market halls, roads and vehicle parks, the Authority undertakes the supply of services needed by the Market community: cleaning and waste disposal, energy supply, site security, traffic control and the maintenance of buildings, plant and equipment. Expenditure on these services is recovered from Market tenants via 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 have conducted a thorough review of the accounting treatment for the redevelopment of the market. The purpose of this was to assess whether the assets held for the purpose of operating a market should continue to be recognised as plant, property 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 Plant, Property 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 CGMA's aspiration, with the support and encouragement of Defra, to be self-funding, management have taken the view the market assets now meet the criteria to be recognised as investment property. As this is a change in our accounting policy we have restated the prior year figures, and all references to prior year figures are at their restated values where appropriate. Further detail on the policy change is included in Note 1.d.

During the review, it was identified that accounting for the new market as an exchange transaction with the sale of the surplus market land, was inappropriate, following clarification of the relevant standard, provided in the 2018 conceptual framework update. This has been adjusted for as an error and has been corrected as part of the restatement detailed in Note 1.u.

Business Review

An operating surplus before redevelopment activity costs of £1.5m was generated during 2021/2022 compared to an operating loss of £0.9m in 2020/2021 (restated). The main contributory factor for this much improved performance was the lifting of COVID-19 restrictions limiting commercial activity. The breakdown was as follows:

- A 17% increase (£1.1m) in tenant recoveries returning to 93% of pre-pandemic levels following the removal of trading restrictions.
- Rental income from tenants increased to £4.4m. The £0.5m improvement was largely due to the suppressed income figures in the prior year from tenant rent rebates (£0.3m), with the remaining £0.2m due to improving occupancy rates during the year.
- Sunday Market income increased to £0.7m returning to normal operations earlier than the rest of the market, however, it is still only 84% of the 2019/20 revenue.
- Offset by Market operating costs (cleaning, waste and Sunday market costs) increased as the Market trading environment recovered. Improving payment patterns from tenants has enabled us to release some of the prior year bad debt provision to partially offset these increasing costs, further supported by reduced costs relating to the defined benefit pension scheme and provision of land for Transport for London's use in the construction of the Nine Elms underground station (£0.6m net movement).
- Revenue grant has decreased by £0.8m to £0.2m, there were no revenue grant receipts during the year, with the £0.2m being the unwinding of previously received capital grants from Defra and Greater London Authority, as assets under construction have been transferred to completed assets. The government cost of capital subsidy is reduced by £0.1m in line with the agreement with Defra.

Redevelopment project costs not capitalised are significantly lower in 2021/22 following the conclusion of the litigation and settlements in the prior year.

Following a change in accounting policy to recognising the market assets as investment property, in 2021/22 and 2020/21 there has been a fair value loss recognised in the income statement of £0.6m (2020/21 restated: £16.9m gain). The valuation of the market land and buildings has increased by £27m from £152.3m in the year (2020/21 restated: £125.3m), however the cost to complete the assets under construction exceed the fair value of the incomplete assets and therefore any fair value gains related to those assets are written off.

The profit before tax after fair value gains, finance income and finance costs was £1.4m (2020/21 restated: £13.4m).

There is no corporation tax to pay for the year ending 31 March 2022 (2020/21 restated: nil), as investment in the new market assets has offset any taxable profits.

We continue to provide for £1.9m of corporation tax associated with the uncertainty over whether CGMA will be able to extend the statutory reinvestment period in relation to the provisional rollover relief claims on the Northern site land sale in August 2017.

The above change in policy also impacts our tax charge for the year, as additional deferred tax is recognised for the investment property, as a result, our profit before tax becomes a loss after tax of £0.5m for the financial year (2021/22 restated: £10.9m profit).

Pension Fund

The deficit relating to the defined benefit pension plan increased by £0.1m to £1.9m (2020/21: £1.8m). 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 year. Market conditions over the year have, however, been demanding and as a result the financial assumptions used in the calculations were more stringent resulting in a £0.1m increase in the pension liabilities.

Net Cash Flow

The level of cash and cash equivalents for the year decreased by £14.1m to £30.2m (2020/21 restated: £44.3m).

This decrease was attributable to the following factors:

- A net cash inflow relating to operating activities of £2.3m (2020/21 restated: £38.1m)
- A net cash outflow relating to investment in capital expenditure of £16.5m (2020/21 restated: £3.9m)
- £10.8m was paid to VSM during the year to fund amounts paid by them in the course of the development.

The total figure as at 31 March 2022 of £30.2m includes:

£26.7m 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. See note 15 for further details.

£1.8m (2020/21: £2.0m) in respect of monies held on behalf of tenants.

Capital Expenditure & Fixed Assets

Capital expenditure on plant, property & equipment during the year totalled £0.5m (2020/21 restated: £0.9m), this related primarily to operational equipment, including the replacement of a busbar and a number of shutter doors in our older trading units and implementation costs associated with the new finance and property system.

Property, which is held as investment property and measured at fair value, increased during the year by £15.9m, from £63.6m restated to £79.5m.

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

Details of the Authority's financial instruments and its policies relating to financial risk management are given in note 22 to the Accounts.

Dividends

The Authority paid no dividends during the year (2020/21: £nil). (Note 21)

Political & Charitable Donations

The Authority does not make political donations. During the year one charitable donation of £2,000 was made to the British Red Cross to help Ukraine (2020/21: £nil).

Business Prospects

Having emerged relatively well from the challenges towards the end of the financial year presented by COVID-19, and the war in Ukraine has presented a new set of challenges for New Covent Garden Market and its tenants. The international community's response to the invasion in the form of sanctions against Russia and Russia's responses led to instability on the world fuel and energy markets and price rises on those resources that very quickly filtered down into increases in production and supply chain costs.

The effect of these price rises on the operation of CGMA and its fruit, vegetable and flowers tenants has yet to be fully realised due to the electricity purchased by CGMA for the Market being purchased via the Crown Commercial Framework. Although this did increase almost 100% from Q4 FY22 to Q1 FY23 with a further 30%-50% increase projected in FY24, it is well below the price tenants would expect to pay on the open market. This arrangement is not currently applicable to tenants in the new development phases, however CGMA is working to find solutions to support tenants in energy efficiencies and other costs through initiatives such as community energy purchasing and introduction to business specialists to identify opportunities for further efficiencies.

These energy cost increases are not only a concern for market tenants in relation to their direct operational costs and increased supply costs in the future. On the demand side, abrupt and sharp increases in energy costs, along with any stagnation of the economy, may have also influenced consumer behaviour. Many Market customers are in the catering and hospitality trade, with any decrease in eating out of home detrimentally affecting a sector only recently beginning to emerge from the toughest period in recent times.

Face-to-face events are expected to increase in number post-pandemic, which should all have a significant positive impact on the retail, catering and hospitality trade in all sections of the Market. However, increases in cost of living due to high rates of inflation and other factors may curb this. A return of a proportion of the workforce to offices in central London, after a prolonged period of enforced working at home, is also expected. It has become evident some habits that emerged during the pandemic may have changed the working landscape for some time to come, however it may be that rising domestic energy costs motivate employees back to the workplace. It remains to be seen what the full extent and duration of the switch from office to homeworking will be, and what effect this will have on the extensive trade that NCGM tenants enjoy with the office catering sector.

Most of our tenants trade internationally with an increase in the administrative burden, as well as cost implications attached to continuing trade links with EU countries. The response to this has been both practical and effective, as the can-do trading mentality prevailed. The main supply issues to date have been delays at ports, rather than reduced access to European fresh produce and flowers. While this is disruptive, it is a challenge our tenants find ways to manage on a daily basis. Hiring employees has also been referred to as a concern by many Market businesses.

In the Fruit and Vegetable Market, occupancy of core trading space increased slightly to 89% (88% in prior year). Tenants were supported through the pandemic by a range of COVID-19 related emergency measures provided by both CGMA and HM Government and though some companies left the Market, new or existing tenants reoccupied the majority of this space. Due to economic uncertainty, significant trading challenges have continued into the next financial year and CGMA is committed to working collaboratively with our tenant community to navigate the trading environment.

Occupancy in the Flower Market remained steady at 96% during the year to 31 March 2022. This high percentage occupancy was maintained even though the COVID-19 lockdowns were particularly harsh on flower and plant wholesalers. CGMA was required to close the Flower Market for two extended periods due to restrictions, rendering most tenants unable to trade for those periods.

The Food Exchange's occupancy was 88% at year-end (compared to 87% in the previous year) following the easing of COVID-19 restrictions. The enquiry list for space in the Food Exchange was very positive towards the end of the year and we achieved full occupancy in the first half of the following year. Into its fifth year, this facility is proving its attraction for innovative food and drink businesses of all shapes and sizes. Mission Kitchen, a joint funded project with the Greater London Authority (GLA), provides a unique kitchen and office space for London's food entrepreneurs to make the move from kitchen table to professional incubator and production facility. Opened on the first floor of the Food Exchange during Q2 2022 it has expanded to over 100 members and is growing its numbers to plan at a steady rate. The predicted commercial desire for more flexible, modern office accommodation and the opportunity to work amongst like-minded businesses ensures the Food Exchange's prospects are extremely positive.

As we progress through the redevelopment, it should be noted that maintaining 100% occupancy of the lettable space across the whole Market is unachievable due to the requirement for space to move tenants into to facilitate CGMA adherence to the vacant possession milestones of each project phase.

As the current significant trading challenges continue into the next financial year CGMA is committed to working with our tenant community to navigate the uncertain trading environment. However, we approach the future with a good degree of optimism about the opportunities to reduce the proportion of vacant space in the next 12 months, having already achieved 100% occupancy in the Food Exchange, as mentioned above, and also in the new units completed as part of Phase 1 of the redevelopment.

It is now 49 years since NCGM began trading in Nine Elms. Whilst the last three years have provided significant challenges and the potential economic uncertainty over the next period, the Authority remains optimistic there is a bright future for the Market and our tenants. CGMA has emerged from the pandemic with its resolve intact and ready to deal with the new challenges that cost of living increases and ongoing impacts from the war in Ukraine, such as energy cost rises, present to it. CGMA has established a robust and sound way forward for the Market and it is clear that its tenants remain crucial to the successful fresh produce and flower supply chain for London and the South-East.

5 Year Summary of Financial Statements

	2017/18 £'000	2018/19 £'000	2019/20 £'000 Restated	2020/21 £'000 Restated	**2021/22 £'000**
Gross income including finance income	18,057	17,734	17,489	14,720	**15,907**
Gross expenditure including depreciation	(16,828)	(15,776)	(17,739)	(15,638)	**(13,933)**
(Deficit)/Surplus before redevelopment activity	**1,229**	**1,958**	**(249)**	**(918)**	**1,974**
Disposal of Assets	114,432	-	77	-	**-**
Redevelopment project costs not capitalised	(257)	(271)	(2,371)	(2,587)	**4**
Change in Fair Value (Loss)/Gain	-	-	4,083	16,883	**(603)**
(Deficit)/Surplus before taxation	**115,404**	**1,687**	**1,539**	**13,378**	**1,376**
Corporation tax & deferred tax	(13,276)	(323)	(2,030)	(2,513)	**(1,842)**
Net profit/(loss) after accounting for tax	**102,128**	**1,364**	**(491)**	**10,865**	**(467)**
Capital & reserves	**75,140**	**76,314**	**86,630**	**96,973**	**96,263**

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

Opinion

We have audited the financial statements of Covent Garden Market Authority (the 'Authority') for the year ended 31 March 2022 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Covent Garden Market Acts 1961 to 1977.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's 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 Board with respect to going concern are described in the relevant sections of this report.

Emphasis of matter – financial support from Defra

We draw attention to note 1a 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.

Other information

The other information comprises the information included in the 61st Report & Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Members' remuneration specified by law are not made; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Members' responsibilities statement set out on page 15, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance 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 extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the Authority's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the Authority's policies and procedures in relation to compliance with relevant laws and regulations. We also drew on our existing knowledge of the Authority's industry and regulation.

We understand the Authority complies with requirements of the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- Requiring all employees to read and follow the compliance policies and procedures of the business and attend annual refresher training and also ad-hoc training as requirements change; and
- The Board's regular review with management, who have close involvement in the day-to-day running of the business, of issues arising meaning that any litigation or claims would come to their attention promptly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Authority's ability to conduct business, and/or where there is a risk that failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Authority:

- The legislative requirements of the Covent Garden Market Acts 1961 to 1977;
- The Direction given by the Secretary of State for the Department for Environment, Food and Rural Affairs in respect of the annual accounts ('the Direction') and in complying with the Direction, where relevant the requirements of the Companies Act 2006 and applicable international accounting standards in respect of the preparation and presentation of the financial statements;
- Health and Safety legislation;
- Laws and regulations in relation to commercial leases.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- We enquired with the Authority's management as to the existence of litigation;
- We reviewed board meeting and audit and risk committee meeting minutes and Defra correspondence with the Authority for any evidence of non-compliance; and
- We obtained written representations regarding issues arising from our work where appropriate.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries and incorrect recognition of revenue.

The procedures carried out to gain evidence in the above areas included;

- Testing of a sample of revenue transactions to underlying documentation; and
- Testing of manual journal entries, selected based on specific risk assessments applied for significant components based on the Authority's processes.

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.

CLA Evelyn Partners Limited

Andrew Bond
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners
Statutory Auditor
Chartered Accountants

45 Gresham Street
London
EC2V 7BG
14 July 2023

Income Statement

for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000 Restated
Revenue	2	14,480	12,838
Grant income	1.1	163	1,000
Government cost of capital subsidy	1.o	780	880
		15,423	14,718
Operating expenditure			
Operating costs (excluding staff costs)	3	(9,686)	(11,218)
Board Members and staff costs	10	(2,018)	(2,271)
Depreciation	12	(164)	(98)
Government cost of capital charge	1.o	(2,030)	(2,030)
		(13,899)	(15,617)
Operating profit/(loss) (before redevelopment activity)		1,524	(900)
Redevelopment project costs not capitalised	4	4	(2,587)
Operating profit/(loss) (after redevelopment activity)		1,528	(3,487)
Change in Fair Value (Loss)/Gain	5	(603)	16,883
Operating profit (before financing)		926	13,396
Finance income	6	484	3
Finance costs	9	(34)	(21)
Profit before taxation		1,375	13,377
Taxation	11	(1,842)	(2,513)
(Loss)/Profit for the financial year		(467)	10,865

Statement of Comprehensive Income

for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000 Restated
(Loss)/Profit for the financial year		**(468)**	10,864
Other comprehensive income for the year			
Actuarial loss on defined benefit pension plan	16	**(300)**	(642)
Income tax associated with actuarial loss on pension liability	17	**57**	122
		(243)	**(520)**
Total comprehensive income for the year		**(711)**	**10,344**

Statement of Financial Position

as at 31 March 2022

	Note	2022 £'000	2021 £'000 Restated
Assets			
Non-current assets			
Property, plant and equipment	12	**5,787**	5,476
Investment Property	13	**79,476**	63,593
Trade and other receivables	14	**5,101**	8,720
Deferred tax assets	17	**1,274**	1,264
Total non-current assets		**91,638**	79,054
Current assets			
Trade and other receivables	14	**15,532**	12,218
Cash and cash equivalents	15	**30,167**	44,340
Total current assets		**45,669**	56,558
Total assets		**137,337**	135,612
Equity and liabilities			
Equity			
Reserve fund	1.h	**400**	400
Retained earnings	1.i	**95,863**	96,573
Total equity		**96,263**	96,973
Non-current liabilities			
Deferred tax liabilities	17	**6,615**	4,820
Provisions	19	**4,445**	12,631
Employee retirement benefit obligations	16	**1,889**	1,750
Total non-current liabilities		**12,949**	19,201
Current liabilities			
Trade and other payables	18	**23,624**	16,786
Provisions	19	**2,980**	1,167
Current tax liabilities		**1,520**	1,486
Total current liabilities		**28,125**	19,438
Total liabilities		**41,074**	38,639
Total equity and liabilities		**137,337**	135,612

The accounts were approved by the Authority's Board and were signed on its behalf on 11 July 2023 by:

J Breare
General Manager

J Lelliott OBE
Interim Chair and
Chair of Audit & Risk
Assurance Committee

Statement of Changes in Equity

for the year ended 31 March 2022

	Non-distributable		Distributable	
	Reserve fund £'000	Revaluation Reserve £,000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2020 (Restated)	**400**	**10,263**	**75,967**	**86,630**
Profit for the year	-	16,883	(6,019)	10,864
Other comprehensive income	-	-	(520)	(520)
Total comprehensive income for the year	-	16,883	(6,539)	10,344
Balance at 31 March 2021 (Restated)	**400**	**27,146**	**69,428**	**96,974**
Loss for the year	-	(603)	135	(468)
Other comprehensive income	-	-	(243)	(243)
Total comprehensive income for the year	-	(603)	(108)	(711)
Balance at 31 March 2022	**400**	**26,543**	**69,320**	**96,263**

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, £69.3m (2020/21 restated: £69.4m), and non-distributable, £26.9m (2020/21 restated: £27.5m) balances. The non-distributable balances represent the gains from changes in fair value on investment property.

Statement of Cash Flows

for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000 Restated
Operating cash flow (before redevelopment project costs)	**20**	**2,269**	**(35,520)**
Operating cash outflow relating to project costs	**20**	**-**	**(2,587)**
Cashflow from operating activities		**2,269**	**(38,107)**
Income taxes paid		**34**	-
Net cash inflow/(outflow) from operating activities		**2,303**	**38,107**
Cash flow from investing activities			
Interest received	6	**484**	3
Purchases of property, plant and equipment	12	**(475)**	(4)
Addition to investment property under construction	13	**(16,486)**	(3,926)
Net cash outflow from investing activities		**(16,477)**	**(3,927)**
Net decrease in cash and cash equivalents		**(14,174)**	**(42,034)**
Cash and cash equivalents at beginning of year	**15**	**44,340**	**86,374**
Cash and cash equivalents at end of year	**15**	**30,167**	**44,340**

Notes to the Accounts for the year ended 31 March 2022

1. Accounting policies

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

a. Basis of preparation

The accounts are prepared in accordance with IFRSs issued by the International Accounting Standards Board 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 2021/22 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 so appointed unless they are a member of one or more of the following bodies:

- The Institute of Chartered Accountants in England & Wales
- The Institute of Chartered Accountants in Scotland
- The Association of Chartered Certified Accountants
- The Institute of Chartered Accountants in Ireland
- Any other body of accountants established in the United Kingdom and for the time being recognised for the purposes of Paragraph (a) of Subsection (i) of Section 161 of the Companies Act 1948 by the Board of Trade.

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

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

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

vii. The Secretary of State shall lay a copy of each report made to 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.

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 22.

The last couple of years have seen significant disruption for the Authority, the tenant community, the hospitality sector, and the wider global economy. FY2022/23 was expected to be a continuation of the recovery from the pandemic, and to date there has been an upward trend, although it is still likely to be some time before the Market as a whole returns to pre-pandemic levels. However, the significant adverse movement in inflation rates combined with the cost-of-living crisis will continue to challenge both the Authority and the Market tenants in the short to medium term.

COVID-19 continued to have a significant impact on the global economy during 2021/22, especially the hospitality sector. Government restrictions significantly affected NCGM's tenants and therefore income levels and cash receipts for the Authority at the start of the year, however, many tenants had cleared the majority of their outstanding invoices by the end of the year. The trend of reducing aged debt has continued into the current year and does not yet reflect the impact of the inflationary cost pressures on our tenants' cash flows.

The support package committed by Defra in August 2020 to provide working capital and capital expenditure support in respect of redevelopment remains in place. In accordance with the agreed drawdown profile for this funding, the Authority drew down £7.0m during the period April 2021 to March 2022 and £13.5m in total to date. £4.521m of this relates to grant-in-aid which will be returned to Defra at a point when the Authority's income recovers. However, this relies on the Authority having sufficient resources to do so, and if this is not the case it has been acknowledged that the amounts will not need to be repaid within the redevelopment timeframe.

The economic position improved during 2021/22 and into 2022/23, income collection and occupancy levels have continued to improve. Management have prepared budgets and forecasts for the next financial year as well as beyond in the form of a 5-year plan and long-term business plan. This shows that the Authority should generate sufficient cash flows to continue in operational existence from a trading perspective for the foreseeable future. However, to the extent that the Authority will experience cash outflows in the coming years in relation to the tenant settlement (both in terms of reduced income and capital expenditure), the Authority is dependent on the committed support from Defra. As Defra has provided the support to date in line with the original agreement, management expect the remaining amounts will be provided in accordance with the agreement if required and therefore believe the Authority will have adequate resources to meet its obligations as they fall due, for a period of at least 12 months from the signing of the financial statements. As a result, the Authority continues to prepare the financial statements on a going concern basis.

b. Critical accounting judgements and key sources of estimation uncertainty

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

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

The main areas of estimation / judgement are provided below.

i. Recoverability of trade and other receivables

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

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 £2.113m (2020/21: £2.197m).

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 £4,586m (2020/21: £1.256m).

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, there has been further correspondence from HMRC, but with no conclusion yet reached. As such there is uncertainty whether HMRC will agree to extend the rollover relief reinvestment period as well as the Authority's ability to incur sufficient qualifying expenditure within any timeframe permitted. Due to the additional uncertainty around available cash flow for reinvestment as a result of the impact of COVID-19 and the tenant settlement, a provision of £1.900m 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 this set of accounts, with impacted balances for the prior period identified as restated. Further detail on the impact of the change in the accounting policy is included in note 1.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 & 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 1.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 2022 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 has changed its accounting policy for land & 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

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

The original freehold and leasehold buildings are depreciated on a straight-line basis from 1 April 2003, reflecting the remaining useful life of the buildings of between 3 and 20 years. The newly constructed market assets are recognised as investment property (see note 1.b.v & 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. 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 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 draw 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 1u for the impact of adjustment.

Interest income on the cash held for the progression of the development works (note 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. No liability is recognised in the Statement of Financial Position.

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 (2021/20 – forty-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. Accounting policy change, correction of error and subsequent restatement

Accounting policy change

For the year ending 31 March 2022, given the commercialisation of the market, the Authority has changed its judgement regarding the use of the land and buildings ("Properties") that earn rental income for the Authority and now consider they meet the definition of investment property held for the rental income 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

The change in judgement is to be accounted for retrospectively, as a change in accounting policy, from the date of commencement of the development.

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 now believe 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 non-bulk horticultural elements of the estate.

For the year ending 31 March 2022, the Authority has changed its judgement regarding the entitlement to the Enhanced specification amount (ESA) received as part of the development agreement. The Authority is entitled to an ESA and interest of 3.5% on the undrawn ESA balance from the development partner which can be used to fund any expenses towards the market including requesting additional development services and making fit-out payments to the tenants. The Authority previously believed that it does not control the ESA before it is used for the market. However, management now considers that it controls the ESA and receives future economic benefits from it and hence, has recognised the ESA entitlement and interest on it as an income.

The change in judgement is to be accounted for retrospectively, as a change in accounting policy, from the date of commencement of the development.

Correction of error

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 exchange transaction. This has been corrected in this set of accounts, with impacted balances for the prior period identified as restated.

The Authority also identified that the recoverable amount of the Asset under construction accounted for as property, plant and equipment was lower than its carrying value, however an impairment charge in accordance with IAS 36 was not recognised. This has been disclosed as an adjustment in the reconciliation below, however no adjustment is made in the financial statements because the Asset under construction is accounted for at fair value under the revised accounting.

To ensure our financial statements fairly present our financial position and performance for the year ended 31 March 2021, we have retrospectively applied the accounting policy change and corrected the error of recognising the development services and land sales as an exchange transaction (Note 1b(v)) from the start of the redevelopment works in 2017 and restated the prior year. The below table provides the impact of the necessary adjustments.

i. Consolidation statement of financial position

Impact of adjustments 01 April 2020	As previously reported £'000	Adjustment due to error £'000	Adjustments due to policy change £'000	As restated £'000
1. Investment property	-	-no impact-	42,785	42,785
2. Trade and other receivables	44,080	(26,643)	-no impact-	17,437
3. Property, plant and equipment	49,499	(16,151)	(27,777)	5,571
4. Cash and cash equivalent	86,380	(6)	-no impact-	86,374
5. Others	523	-no impact-	-no impact-	523
Total assets	**180,482**	**(42,800)**	**15,008**	**152,690**
6. Trade and other payables	88,000	(26,884)	(14,075)	47,041
7. Others	19,019	-no impact-	-no impact-	19,019
Total liabilities	**107,019**	**(26,884)**	**(14,075)**	**66,060**
8. Retained earnings	73,063	(15,916)	29,083	86,230
9. Others	400	-no impact-	-no impact-	400
Total equity	**73,463**	**(15,916)**	**29,083**	**86,630**

Remarks

1. Adjustment relating to transfer of Asset under construction and Freehold building from property, plant and equipment to investment property under construction/completed on account of change in accounting policy (see Note 1d)
2. Adjustment relating to change in prepayment balance – In prior periods, as part of the exchange transaction accounting (See Note 1b(v)) a prepayment asset was recognised on sale of land representing the fair value of the completed market. The prepayment balance has been reversed under the revised accounting given no asset is being recognised on sale of the land
3. Adjustment relating to Asset under construction and Freehold building - The adjustment on account of correction in error represents impairment of Asset under construction (accounted for as property, plant and equipment). The recoverable amount of the Asset under construction was less than the carrying value of the asset, however an impairment loss was not recognised in prior periods. The recoverable amount being the fair value of the Asset under construction less the cost to complete. The change in policy adjustment is on account of transfer of Asset under construction and Freehold building from property, plant and equipment to investment property under construction/completed on account of (See Note 1d).
4. Adjustment relating to Development Account bank statement balance
5. Other assets not restated
6. Adjustment relating to change in development creditors balance - The adjustment on

account of correction in error relates to Development creditor presented under trade and other payables was incorrectly shown at an amount equivalent to the development account since FY2016/17. Under the revised accounting it has been accrued at an amount equivalent to the percentage of work completed and any excess proceeds received during the redevelopment project

7. Other liabilities not restated
8. Opening retained earnings and P&L impact of adjustments - The adjustments are on account of:
   - Correction of error – This majorly represents impairment of opening Asset under construction balance (accounted for as property, plant and equipment) since the carrying value of the asset was lower than its recoverable amount
   - Change in accounting policy – This comprises of 2 major adjustments:
     - Recognition of ESA income and interest on it (see Note 1u)
     - Fair valuation gain on land on reclassification from property, plant and equipment to investment property (see Note 1u)
9. Other equity items that are not impacted by restatement

Impact of adjustments 31 March 2021	As previously reported £'000	Adjustment due to error £'000	Adjustments due to policy change £'000	As restated £'000
1. Investment property	-	-no impact-	63,593	63,593
2. Trade and other receivables	43,781	(26,643)	3,801	20,938
3. Property, plant and equipment	51,345	(17,028)	(28,842)	5,476
4. Cash and cash equivalent	44,340	-no impact-	-no impact-	44,340
5. Deferred tax asset	1,253	-no impact-	11	1,264
6. Others	-	-no impact-	-no impact-	-
Total assets	**140,719**	**(43,671)**	**38,564**	**135,612**
7. Trade and other payables	52,932	(26,878)	(9,269)	16,786
8. Deferred and current tax provision	3,271	-no impact-	3,035	6,306
9. Others	15,547	-no impact-	-no impact-	15,547
Total liabilities	**71,751**	**(26,878)**	**(6,234)**	**38,639**
10. Retained earnings	68,568	(16,793)	44,797	96,572
11. Others	400	-no impact-	-no impact-	400
Total equity	**68,968**	**(16,793)**	**47,797**	**96,972**

Remarks

1. Adjustment relating to transfer of Asset under construction and Freehold building from property, plant and equipment to investment property under construction/completed on account of change in accounting policy (See Note 1d)
2. Adjustment relating to change in prepayment balance – In prior periods, as part of the exchange transaction accounting (See Note 1b(v)) a prepayment asset was recognised on sale of land representing the fair value of the completed market. The prepayment balance has been reversed under the revised accounting given no asset is being recognised on sale of the land. The adjustment relating to policy change is on account of reclassification of debit balance of Development creditor to prepayments during the year
3. Adjustment relating to Asset under construction and Freehold building - The adjustment on account of correction in error represents impairment of Asset under construction (accounted for as property, plant and equipment). The recoverable amount of the Asset under construction was less than the carrying value of the asset, however an impairment loss was not recognised in prior periods. The recoverable amount being the fair value of the Asset under construction less the cost to complete. The change in policy adjustment is on account of transfer of Asset under construction and Freehold building from property, plant and equipment to investment property under construction/completed on account of (See Note 1d)
4. Adjustment relating to Development Account bank statement balance
5. Adjustment relating to deferred tax asset balance - This relates to the tax impact of the adjustments made
6. Other assets not restated
7. Adjustment relating to change in development creditors balance - The adjustment on account of correction in error relates to Development creditor presented under trade and other payables was incorrectly shown at an amount equivalent to the development account since FY2016/17. Under the revised accounting it has been accrued at an amount equivalent to the percentage of work completed and any excess proceeds received during the redevelopment project
8. Adjustment relating to tax provision – This relates to the tax impact of the adjustments made
9. Other liabilities not restated
10. P&L impact of adjustments – The adjustments are on account of:
    - Correction of error – This majorly represents impairment of Asset under construction balance (accounted for as property, plant and equipment) since the carrying value of the asset was lower than its recoverable amount
    - Change in accounting policy – This comprises of 4 major adjustments:
        - Recognition of ESA income and interest on it (see Note 1u)
        - Fair valuation gain on land on reclassification from property, plant and equipment to investment property (see Note 1u)
        - Fair valuation gain on reclassification of completed investment property from property, plant and equipment to investment property (see Note 1u)
        - Recognition of deferred and current tax provisions
11. Other equity items that are not impacted by restatement

ii. Consolidation statement of profit or loss and other comprehensive income

For the year ended 31 March 2021

Impact of correction of error 31 March 2021	As previously reported £'000	Adjustment due to error £'000	Adjustments due to policy change £'000	As restated £'000
1. Fair Value Increase	-	-no impact-	17,760	17,760
2. Depreciation	(1,114)	-no impact-	1,016	(98)
3. Impairment Loss	-	(877)	-no impact-	(877)
4. Project	(2,518)	-no impact-	(69)	(2,587)
5. Corporation Tax	478	-no impact-	(2,991)	(2,513)
6. Others	(1,341)	-no impact-	-no impact-	(1,341)
Total comprehensive income	**(4,495)**	**(877)**	**15,716**	**10,344**

Remarks

1. Adjustment on account of impairment loss on property, plant and equipment (due to error)/Change in fair value of investment property (due to accounting policy change)
2. Adjustment on account of reversal of depreciation due to change in accounting policy from property, plant and equipment to investment property under construction/completed (See Note 1d)
3. Adjustment on account of impairment loss on property, plant and equipment (due to error)
4. Adjustment due to change in fair value of investment property
5. Adjustment due to change in fair value of investment property
6. Other assets not restated

There is no material impact on the total cash for the year ended 2020/21, however there has been a recategorisation between operating cash and investing cashflows as a result of the change in accounting policy. There is no change as a result of the correction of the error.

2. Revenue

	2022 £'000	2021 £'000
Income from tenants		
Rents	**4,384**	3,932
Recoveries from tenants	**7,256**	6,178
Other income		
Commercial vehicle charges	**1,110**	846
Car and coach parking charges, etc.	**264**	459
Sunday Market	**737**	338
Miscellaneous receipts	**729**	1,084
	14,480	12,838

3. Operating costs (excluding staff costs)

	2022 £'000	2021 £'000
Market security	1,238	1,491
Rates	378	253
Maintenance, repairs, and renewals	1,309	1,392
Cleaning and waste	4,157	2,374
Heat, light and power	599	1,352
Insurance	609	720
Printing, stationery, and telephone	94	120
Professional fees	747	800
Bad debt provision	(404)	1,282
Publicity	104	124
Sunday Market operating costs	511	200
General expenses	344	540
Pension costs	-	326
Apex costs reimbursement	-	245
	9,686	11,218

4. Redevelopment project costs not capitalised

	2022 £'000	2021 £'000 restated
Administrative costs and advisory fees	(4)	2,587
	(4)	2,587

Included in the FY20/21 redevelopment project costs above are £1.0m of legal fees which were incurred by the Authority as part of the tenant settlement. Defra has provided a grant to contribute to these costs and an equivalent amount has therefore been recognised as grant income in the Income Statement. This grant was provided as part of the wider support package provided to the Authority as noted in note 1.1.

5. Change in fair value

	Note	2022 £'000	2021 £'000 restated
Fair value gain/(loss) on investment property	13	(603)	16,883
		(603)	16,883

6. Finance income

	2022 £'000	2021 £'000 restated
Bank interest receivable:		
On market activities	-	3
Finance income – other:		
On redevelopment activities	484	-
	484	3

Finance income on redevelopment activities relates to the interest the developer is obliged to pay the Authority on any undrawn funds. A zero balance is recognised in the prior year due to the right to accrue interest being waived for the period the project was delayed following the disputes with the tenants and developer.

7. Operating profit for the year is stated after charging

	Note	2022 £'000	2021 £'000 restated
Staff costs	10	2,018	2,271
Depreciation of property, plant and equipment	12	164	98
		2,183	2,368

8. Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the Authority's auditor for the audit of the Authority's annual accounts*	102	136
Fees payable to the Authority's auditor for other services:		
Relating to taxation	8	38
Relating to other services	17	11
Fees payable to the Authority's auditor in respect of associated pension schemes	8	9
	33	58

9. Finance costs

	Note	2022 £'000	2021 £'000
Net interest costs on pension	16	34	21
		34	21

10. The Members and staff costs

The Members of the Authority during the year were:

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

The Chair was the highest paid member during the year. During the year the Board's emoluments were as follows:

	2022 £	2021 £
David Frankish (Chair)	**89,973**	113,568
Teresa Wickham (left 20.06.20)	**-**	4,058
David Fison	**18,720**	13,851
Sarah Calcutt	**18,903**	18,598
Archie Robertson (left 30.06.20)	**-**	2,740
Fiona Fell	**20,336**	17,111
Victoria Wilson	**23,828**	33,750
Sara Turnbull	**18,720**	24,997
John Lelliott	**21,560**	21,167
Total	**212,040**	249,840

David Frankish acted as Executive Chair for the period of 9 July 2020 to 29 October 2021. His allocated time to CGMA reduced from 4 days per week to 2 days from 30 October 2021. In November 2022, he 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 £16,137 in respect of reimbursed expenses mainly relating to Home to Work and overnight accommodation. (2020/21: £7,842).

Other Member's emoluments were in the following ranges:

	2022 £	2021 £
£0 - £5,000	-	2
£5,001 - £10,000	-	-
£10,001 - £15,000	-	1
£15,001 - £20,000	3	2
£20,001 - £25,000	3	2
£25,001 - £30,000	-	-
£30,001 - £35,000	-	1

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:

	2022	2021
Administration	30	31
	30	31

Staff costs for the above persons were:

	2022 £'000	2021 £'000
Board Members - aggregate emoluments	212	250
Wages and salaries	1,624	2,053
Social security costs	199	258
Pension service costs	217	244
Termination benefits	68	-
Total payroll cost	2,321	2,805
Less amounts capitalised during the year	(303)	(534)
Board Members and staff costs	2,018	2,271

The following number of employees received salaries in the ranges:

	2022	2021
£0 - £10,000	-	2
£10,001 - £20,000	-	2
£20,001 - £30,000	-	7
£30,001 - £40,000	12	8
£40,001 - £50,000	3	1
£50,001 - £60,000	5	2
£60,001 - £70,000	1	2
£70,001 - £80,000	3	3
£80,001 - £90,000	2	2
£90,001 - £100,000	2	-
£100,001 - £110,000	1	1
£110,001 - £120,000	-	1
£120,001 - £130,000	2	-
£130,001 - £140,000	-	-
£140,001 - £150,000	1	-

Expenses

Total of expenses paid and reimbursed to Chair, Members and employees for travel and entertainment (including meetings) amounted to £17,431 in the year ended 31 March 2022 (2020/21: £8,370).

11. Taxation

	Note	**2022 £'000**	2021 £'000 Restated
UK Corporation Tax on losses for the year		-	-
Adjustment to previous year's tax provision		-	(376)
Total current tax charge		-	(376)
Deferred tax – utilisation and reversal of timing differences	17	322	2,883
Adjustments to previous year's tax provision		-	6
Effect on tax rate change on opening balance		1,520	-
Total deferred tax		1,842	2,889
Total tax (credit)/charge		1,842	2,513

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:

	2022 £'000	2021 £'000 Restated
Tax reconciliation		
Profit before taxation	**1,375**	**13,378**
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2021/21: 19%)	261	2,542
Tax effects of:		
Expenses not allowable for taxation	116	311
Fixed asset differences	(13)	22
Losses carried back	-	380
Adjustment to tax charges in respect of previous years	-	(370)
Adjustments to brought forward values	351	-
Deferred tax relating to other comprehensive income	57	122
Income not taxable for tax purposes	(31)	(3,228)
Remeasurement of deferred tax for changes in tax rates	1,282	-
Fair value adjustments	(181)	2,734
Total tax (credit)/charge for the year	**1,842**	**2,513**

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. Given this and the current uncertainty as to whether HMRC will agree to an extension at that time and the Authority's ability to incur sufficient qualifying expenditure within any timeframe permitted, there remains a provision for the additional corporation tax due of £1.9m in the accounts.

12. Property, plant and equipment

	Freehold buildings £'000	Leasehold buildings £'000	Plant, equipment and motor vehicles £'000	Total £'000
Cost				
At 31 March 2020 restated	12,144	1,546	4,164	17,854
Additions	-	-	4	4
Transfers	-	-	-	
Disposals	-	-	-	-
At 31 March 2021 restated	12,144	1,546	4,168	17,857
Additions	-	-	519	519
Transfers	-	-	(44)	(44)
Disposals	-	-	-	-
At 31 March 2022	12,144	1,546	4,643	18,332
Depreciation				
At 31 March 2020 restated	7,263	1,167	3,854	12,284
Transfers	-	-	-	-
Charge for the year	-	-	98	98
Disposals	-	-	-	-
At 31 March 2021 restated	7,263	1,167	3,952	12,382
Transfers	-	-	-	-
Charge for the year	-	-	164	164
Disposals	-	-	-	-
At 31 March 2022 restated	7,263	1,167	4,116	12,546
Net book value				
At 31 March 2022	4,881	379	527	5,787
At 31 March 2021 restated	4,881	379	216	5,476

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 2020 restated		**12,184**	**30,601**	**-**	**42,785**
Additions		-	-	3,926	3,926
Fair value gain	5	6,515	13,900	(3,533)	16,883
At 31 March 2021 restated		**18,699**	**44,501**	**393**	**63,593**
Additions		**-**	**-**	**16,486**	**16,486**
Transfers		**-**	**1,376**	**(1,376)**	**-**
Fair value gain	**5**	**3,705**	**9,860**	**(14,168)**	**(603)**
At 31 March 2022		**22,404**	**55,738**	**1,335**	**79,476**

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 2021/22 was £4.4m (2020/21: £3.9m) (See Note 2). Tenant recoveries which include reimbursement of service charge costs and direct recovery of electricity costs and waste collection services were £7.3m (2021/22: £6.2m) (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 1b(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.
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. 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 & Vegetable Industry, the market's location, and lease terms.	• Expected market rental growth (2021/22: 2.25%; 2020/21: 2.5%) • Occupancy rates (2021/22: 95-100%, weighted average 98% ; 2020/21: 90-100%, weighted average 95%) • Risk-adjusted discount rates (2021/22: 7.25%, weighted average 6.8%; 2020/21:7.5%, 6.8%)	The estimated fair value would increase (decrease) if: • Expected market rental growth were higher (lower) • Occupancy rates were higher (lower) • The risk-adjusted discount rate were lower (higher)

14. Trade and other receivables

Current trade and other receivables

	2022 £'000	2021 £'000 Restated
Trade receivables	2,887	4,047
Less: provision for impairment	(774)	(1,849)
Trade receivables, net	2,113	2,197
Amounts due from Defra	2,075	4,828
Other receivables	4,066	1,618
Less: provision for impairment	(343)	(332)
Other receivables, net	3,723	1,286
Other taxes and social security receivable	589	136
Development Partner	7,031	3,771
Total current trade and other receivables	15,532	12,218

Non-current trade and other receivables

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

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

As outlined in detail in note 1b(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. COVID-19 has significantly increased the credit risk of trade receivables, therefore the expected credit losses are higher than would be expected using historical evidence.

	2022 £'000	2021 £'000
Provisions for impairment of trade and other receivables:		
As at 1 April 2021	2,181	929
Impairment losses reversed	(404)	-
Uncollected amounts written off, net of recoveries	(660)	-
Receivables impaired in the year	-	1,252
	1,117	2,181

As at 31 March 2022, trade receivables of £0.8m were considered to be impaired (2020/21: £1.9m).

As at 31 March 2022, other receivables of £0.3m were considered to be impaired (2020/21: £0.3m).

As at 31 March 2022 trade receivables of £1.8m (2020/21: £1.9m) were past due but not impaired. This relates to receivables that were all 2-3 months past due.

As at 31 March 2022 other receivables of £nil (2020/21: £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

	2022 £'000	2021 £'000
Bank deposits - sterling	28,495	40,581
Cash at bank and in hand - sterling	1,672	3,759
	30,167	44,340

Included within cash and cash equivalents is £26.7m (2020/21: £38.7m) 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 £1.8m (2020/21: £2.0m) 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 (2020/21: £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 2021 has been updated for IAS19 purposes as at 31 March 2022.

The scheme ceased the accrual of future benefits with effect from 31 March 2011. However, the salary link for members who remain in employment with the Authority has been retained. This change has been taken into account in the 31 March 2022 IAS 19 calculation.

The Authority made contributions totalling £211,000 to this defined benefit pension plan in the year to 31 March 2022 (2021: £211,000).

The weighted average duration of the defined benefit obligation is around 19 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:

	2022	2021
Retail price inflation:	3.9%	3.5%
Salary escalation:	3.1%	2.7%
Increase to pensions in payment:		3.4%
Increase in deferment with a 5% cap on increase:	3.1%	2.7%
Increase in deferment with a 2.5% cap on increase:	2.5%	2.5%
Discount rate (pre and post retirement):	2.8%	2.1%
Mortality assumptions:		
Base table	100%S3PMA/ 90%S3PFA	110% PNA00
Improvement rate	CMI2020 (1.5%)	CM2018 (1.5%)
Life expectancy at 65 at year end:		
Retiring at year end date	22.0 (M) / 24.0 (F)	22.0 (M) / 24.0 (F)
Retiring 20 years after year end	23.7 (M) / 25.9 (F)	23.7 (M) / 25.8 (F)

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 2.3%
Rate of inflation	Increase of 0.25% p.a.	Increase by 0.1%
Rate of salary growth	Increase of 0.25% p.a.	Increase by 2.5%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 1.7%

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 2022 is £211,000.

The asset distribution of the underlying investments were as follows:

	2022 %	2021 %
Fixed Interest Securities	12.8	17.5
United Kingdom Equities	12.8	12.6
Overseas Equities	17.2	27.5
Emerging Market Equities	9.0	-
Absolute Return Fund	16.4	13.3
Property	15.4	13.7
Debt	8.4	8.2
Cash	8.0	4.8
Other	0	2.4
	100.0	100.0

The assets and liabilities of the plan are as follows:

	2022 £'000	2021 £'000
Fair value of plan assets	**3,120**	3,138
Present value of Defined Benefit Obligation	**(5,009)**	(4,888)
Deficit in the plan	**(1,889)**	**(1,750)**

Analysis of the amounts charged to the income statement:

	2022 £'000	2021 £'000
Interest income related to plan assets	**68**	70
Interest expense on retirement benefit obligations	**(102)**	(91)
	(34)	(21)

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:

	2022 £'000	2021 £'000
Actual return less interest income on pension scheme assets	**33**	229
Experience gains and losses arising on the scheme liabilities	**(207)**	133
Changes in assumptions underlying the present value of the scheme liabilities	**(126)**	(1,004)
	(300)	(642)

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

	2022 £'000	2021 £'000
Deficit in scheme at beginning of year	**(1,750)**	(955)
Contributions net of administration charge	**195**	195
Other finance cost	**(34)**	(21)
Past service costs	**-**	(327)
Actuarial (loss)/gain	**(300)**	(642)
Deficit in scheme at end of year	**(1,889)**	(1,750)

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

	2022 £'000	2021 £'000
At the start of the year	**3,138**	2,916
Interest income	**68**	70
Actuarial gain/(losses)	**33**	229
Employer contributions	**211**	211
Administration costs (excluding asset management costs)	**(16)**	(17)
Benefits paid out	(314)	(271)
At the end of the year	**3,120**	3,138

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

	2022 £'000	2021 £'000
At the start of the year	**4,888**	3,871
Interest cost	**102**	91
Actuarial losses/(gains)	**333**	871
Past service costs	**-**	327
Benefits paid out	**(314)**	(272)
At the end of the year	**5,009**	**4,888**

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

	2022	2021	2020	2019	2018
Difference between actual return and interest income on scheme assets					
Amount (£'000)	**33**	229	(122)	(163)	(96)
Percentage of scheme assets	**1.1%**	7.3%	(4.2%)	(5.0%)	(3.0%)
Experience gains/(losses) on scheme liabilities:					
Amount (£'000)	**(207)**	133	190	172	145
Percentage of the present value of scheme liabilities	**(4.1%)**	2.7%	4.9%	3.0%	3.0%
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	**(300)**	(642)	1,520	(229)	420
Percentage of the present value of the scheme liabilities	**6.0%**	13.1%	(39.3%)	4.0%	7.0%
Total assets and liabilities of the scheme:					
Total fair value of scheme assets	**3,120**	3,138	2,916	3,119	3,202
Total present value of scheme liabilities	**(5,009)**	(4,888)	(3,871)	(5,726)	(5,671)

17. Deferred taxation

	2022 £'000	2021 £'000 Restated
Deferred tax assets	1,274	1,264
Deferred tax liabilities	(6,615)	(4,820)
	(5,341)	(3,556)

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

	Capital allowances £'000	Investment Properties £,000	Tax losses £'000	Retirement benefit obligations £'000	Total £'000
At 31 March 2020 restated	**(1,312)**	**630**	**334**	**189**	**(159)**
Charged to the income statement	(623)	(3,515)	591	28	(3,519)
Credited to other comprehensive income	-	-	-	122	122
At 31 March 2021 restated	**(1,935)**	**(2,885)**	**925**	**339**	**(3,556)**
Charged to the income statement	(1,087)	(708)	(128)	80	(1,842)
Credited to other comprehensive income	-	-	-	57	57
At 31 March 2022	**(3,022)**	**(3,593)**	**797**	**477**	**(5,341)**

18. Trade and other payables

	2022 £'000	2021 £'000 Restated
Trade payables	**295**	1,214
Other tax and social security payable	**122**	406
Accruals and deferred income	**18,949**	10,695
Deposits from tenants	**1,766**	1,955
Development creditor	**2,476**	2,480
Pension contributions	**18**	35
	23,624	16,786

The development creditor 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.

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

	2022 £'000	2021 £'000
At the start of the year	**13,798**	14,890
Utilised in the year	**(6,372)**	(1,092)
At the end of the year	**7,426**	**13,798**

£2.980m (2020/21: £1.167m) 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, £6.372m 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 2022.

20. Cash flow from operating activities

	2022 £'000	2021 £'000 Restated
Profit before taxation	**1,375**	13,377
Net finance income	**(484)**	(3)
Operating Profit	**891**	**13,374**
Total depreciation charge	**164**	98
Net employer contribution after administration cost	**(161)**	153
(Gain)/loss on fair value (Investment property)	**603**	(16,883)
(Reversal)/charge of impairment provision on trade receivable	**(1,064)**	1,252
Operating cash inflow before changes in working capital	**433**	**(2,006)**
Decrease/(Increase) in trade and other receivables	**1,369**	(4,753)
Increase/(Decrease) in trade and other payables	467	(31,348)
Net cash flow from operating activities	**2,269**	**(38,107)**

21. 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.

22. Financial instruments

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

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

Liquidity risk

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

Contractual maturity of the Authority's financial liabilities as at 31 March 2022 is as follows:

	2022 **Trade and other payables £'000**	2021 Trade and other payables £'000 restated
On demand	**4,241**	4,435
Less than 1 month	**-**	-
1 to 3 months	**19,384**	12,350
3 to 6 months	**-**	-

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

Currency risk

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

Interest rate risk

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

Interest rate profile

	2022 £'000			2021 £'000		
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
Cash	**-**	**1,672**	**1,672**	-	3,759	3,759
Short-term deposits	**26,730**	**1,766**	**28,496**	38,626	1,955	40,581
	26,730	**3,438**	**30,167**	38,626	5,714	44,340

Should floating interest rates decrease by 1%, potential profit and equity of the Authority for the year would decrease by £0.003m (2020/21: £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.

23. Operating lease commitments

Lessor:

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

	2022 £'000	2021 £'000
Within 1 year	**2,860**	2,958
Within 2 - 5 years	6,866	9,255
After 5 years	**11,097**	9,509

24. 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 1o in respect of a cost of capital charge of £2.0m (2020/21: £2.0m) and associated subsidy of £0.8m (2020/21: £0.9m).

See note 19 for details of the provision recorded (£7.4m) in relation to settlement costs which Defra have committed to fund and for the details of the receivable due from Defra (£7.2m). During 2021/22, £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 (2020/21: £1.1m).

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.

25. 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 2022, 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 2022. 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.

26. 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 is expected to take place during the course of financial year 2023-24, and will result in the payment of overage to CGMA.

The Authority's Management

Appendix 1

The Authority's key staff members as at 31 March 2022 were as follows:

Executive Team	
Jo Breare	General Manager
Cassandra Glavin	Head of Finance
Tony O'Reilly	Project Director
Alasdair Thomas	General Counsel
Finance	
Funke Ajibola	Finance Manager
Simon Gilderson	Credit Control Manager
Operations	
Colin Corderoy	Operations Manager
Peter Nolan	Facilities Manager
Property	
Michael Sharkey	Market Manager

Covent Garden Market Authority

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Food Exchange
New Covent Garden Market
London SW8 5EL
T: 020 7720 2211
W: newcoventgardenmarket.com
E: hello@cgma.co.uk