coventgarden
m a r k e t   a u t h o r i t y

57th Report & Accounts 2017/2018

Covent Garden Market Authority

Report and Accounts for the accounting period from 1 April 2017 to 31 March 2018

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

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

Price £10.00

The Report & Accounts

Appendices

Bankers
Banco Bilbao Vizcaya Argentaria
Vauxhall Branch 17a St George Wharf London SW8 2LE

Auditors
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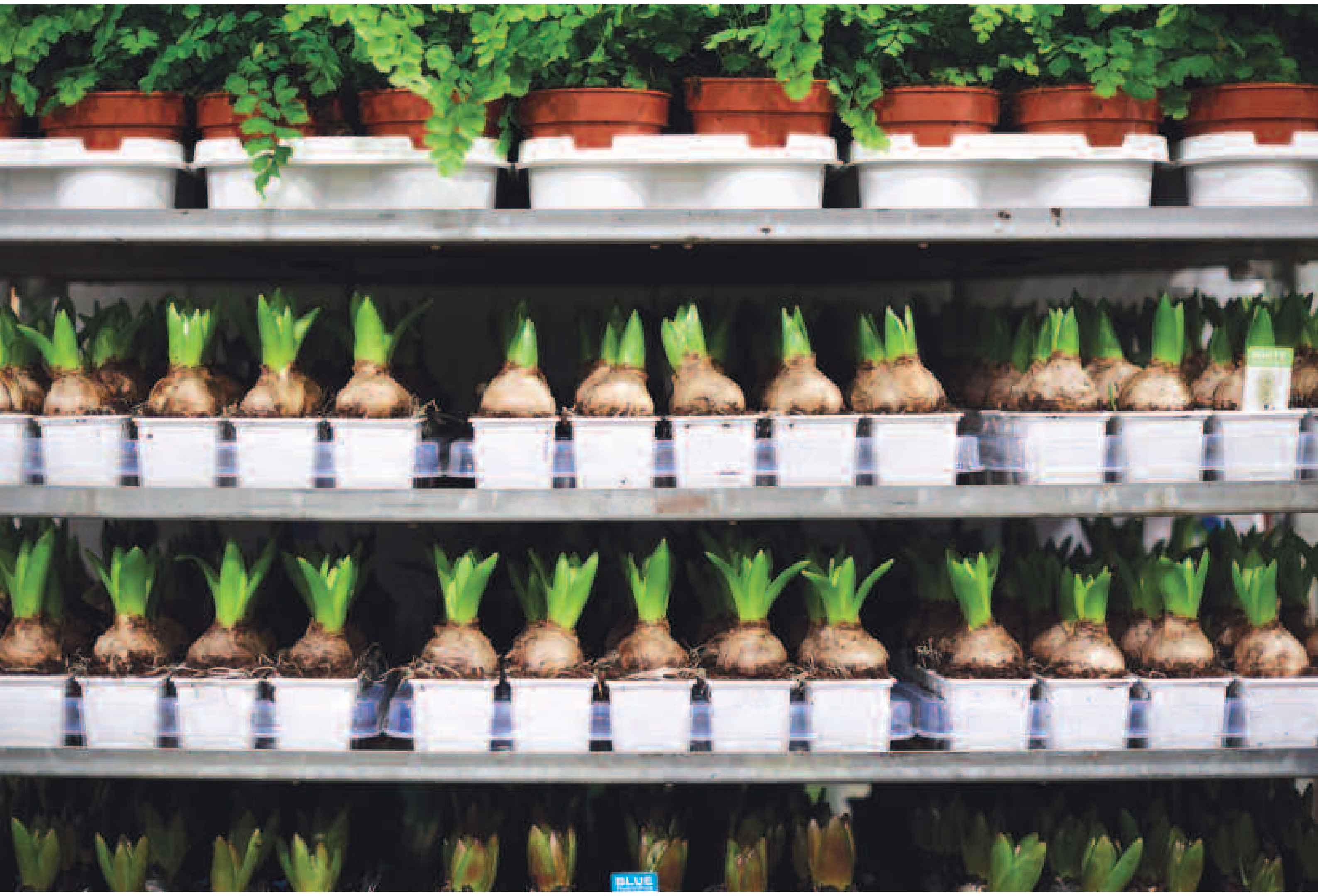
About Covent Garden Market Authority



Covent Garden Market Authority (CGMA) owns and runs New Covent Garden Market (NCGM) and is accountable to the Department of Environment, Food and Rural Affairs (Defra). Its income comes from the rents and service charges charged for leasing trading and office space and it receives no public money.

£4.7m
Rental income

38 staff
employed by CGMA

What we do

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

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

Brand New Covent Garden Market

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

The redevelopment of New Covent Garden Market will provide modern facilities for the 167 small and medium sized companies based here and the 2,500 people they employ. The NCGM site forms part of a wider transformation of Nine Elms which will create an exciting residential and business district.

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

Surplus land is being sold from the original 57 acre site, with the proceeds used to build a new high quality residential-led mixed-use scheme, made up of 1,104 new homes, including 506 affordable homes, 10,000 sq ft of commercial space and 65,000 sq ft of retail, leisure and new community facilities, including shops, cafés and restaurants.

The ten year multi-phase programme will provide some 2,000 further jobs from the commercial and construction elements. It will also contribute to the cost of the Northern Line Extension and the new station at Nine Elms.

The extension of the Northern Line and the opening of two new tube stations will mean the majority of people living and working in the area will be within five minutes' walk of a tube station.

During year ended 31 March 2018 several facilities were completed by our development partner, which included an Interim Flower Market and the Food Exchange building, the ground floor of which currently houses interim distribution units.

The Food Exchange is a facility for small and medium sized food businesses with shared production kitchen space on the first floor. In March the GLA announced that CGMA will be awarded £2.9m from the Mayor's Good Growth Fund in partnership with Mission Kitchen to deliver our ambition to create a new food quarter for London. The funds are forecast as being drawn down during the 2018/19 financial year.

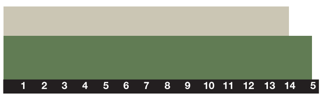
More information is available at
www.brand.newcoventgardenmarket.com

Highlights

CGMA Revenue | up 1.85%
£16.2m 2016/17 | £16.5m 2017/18

Total NCGM Turnover | up 6%
£589m 2016 | £626m 2017

Total Trading Area | down 1 point
91% let 2017 | 90% let 2018



General Service Charge £ per sq ft
13.97 2016/17 | 15.07 2017/18

Total Volumes of Recycled Waste (tonnes) | up 1%
15,408 2016/17 | 15,620 2017/18

Covent Garden Market Authority's (CGMA) Performance

Revenue from normal trading activity was £16.5m, up from £16.2m in 2016/17. Income from tenants was down slightly from £4.8m to £4.7m. The reduction is mainly due to a decrease in the number of office tenants while the number of core trading tenants in the Fruit & Vegetable and Flower Markets has remained fairly constant. The overall increase in revenue is primarily due to an increase in the proportion of costs recovered through recharges.

New Covent Garden Market (NCGM) Trade

Total NCGM turnover £626m saw an increase of 6% on the previous year, reflecting a strong underlying performance despite a slight reduction in occupancy and some tenant churn.

CGMA's Key Performance Indicators

Occupancy Rate: Total Trading Area

Occupancy of core trading space was broadly in line with the prior year at 90%, a decrease of 1% on 2016/17. Occupancy for the Fruit & Vegetable Market remained the same, at 93%, as at 31 March 2018.

The new Interim Flower Market continues to be 100% let.

General Service Charge (GSC): £ per sq ft

The GSC for the year was £15.07 per sq ft, after a rebate of £1.40 from the initial expectation of £16.47 per sq ft. This compared to £13.97 for the previous year. The increase reflects the continued severe price pressures, principally from labour costs and waste transport costs.

Environmental Performance

The total volume of all waste handled increased by 1% to 15,620 tonnes. Waste to energy represents just over half of the waste handled and recycled waste for organic feed is just over a quarter of waste handled. Managing waste is one of the larger challenges that the Authority faces, however the new recycling facility has aided in ensuring that any increase is kept to a minimum.

Key Events

During year ended 31 March 2018 several facilities were completed by our development partner, which included the Interim Flower Market and the Food Exchange building, the ground floor of which currently houses interim distribution units.

The Food Exchange is a facility for small and medium sized food businesses with shared production kitchen space on the first floor. In March the GLA announced that CGMA will be awarded £2.9m from the Mayor's Good Growth Fund in partnership with Mission Kitchen to deliver our ambition to create a new food quarter for London. The funds are forecast to be drawn down during the 2018/19 financial year.

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

5 July 2018

Dear Secretary of State

In accordance with Section 46 of the Covent Garden Market Act 1961, I submit the Report of the Covent Garden Market Authority, incorporating a Statement of Accounts drawn up in accordance with your directions, for the fifty seventh accounting period ended 31 March 2018.

The last year has seen significant milestones in the redevelopment of New Covent Garden Market. In April 2017 the Flower Market moved to an interim building on our main entrance site on Nine Elms Lane. In January this year we moved into our new offices in the Food Exchange which is rapidly filling up with new food businesses. This is the first element in our delivery of a new Food Quarter for London.

The next stage, to deliver the Fruit & Vegetable Market, is the most critical in the redevelopment and our prime concern is to maintain business continuity for our tenants. With that in mind, a major review of logistics is taking place which will inform the construction programme. This is a complex project and we will need to balance both operational and construction needs to ensure our tenants can continue to trade as successfully as possible.

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

Pam Alexander

Pam Alexander OBE
Chair

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

Chair's Statement

Pam Alexander OBE, Chair

This year has seen some significant milestones in our redevelopment journey although there is still a long way to go. In April our Flower Market tenants moved into their interim building at our entrance on Nine Elms Lane. We have also moved our offices into the new Food Exchange building, which is filling up fast with new food businesses. In March we were awarded the largest grant from Mayor's Good Growth Fund to fit out our new shared kitchen work space on the first floor of the Food Exchange, work that is forecast for the 2018/19 financial year. This is an important step in delivering our vision to create a new Food Quarter for London.

After trading for some 43 years in the old building, it was satisfying to see our Flower Market tenants making a fairly smooth transition into their new home, albeit with some nostalgia. The new Flower Market is an interim building, yet traders and customers alike have been impressed with the improvements in the trading environment - real colours and perfumes too. It is a testament to their resilience that they made that move so easily, adapting to their new home extremely quickly.

> "Our ambition is to nurture the next generation of food businesses..."

The old Flower Market has been demolished and the ten acre site sold by VINCI St. Modwen, the first of four planned disposals of surplus land. This transaction has secured 'Brand New Covent Garden Market'. The proceeds of the sale will fund the full redevelopment of NCGM as well as contributing to a new tube station, affordable housing and community benefits and delivering a significant share of the profits in overage to government.

The next step in our redevelopment is to begin to rebuild the Fruit & Vegetable Market. We have paused this until the detail of the business continuity plan, as it relates to the current needs of Market suppliers, traders and customers, is clear. A revised programme is now being agreed with our development partner, VINCI St. Modwen, to ensure that, even if it takes longer, the redevelopment phases cause minimum disruption to our tenants' businesses as they trade through it.

New Covent Garden Market is one of the three icons in Nine Elms, alongside Battersea Power Station and the new American Embassy. I was delighted to take our newest neighbour, the American Ambassador, around the Flower Market in February and honoured to be his guest at the official opening of the Embassy in March 2018.

New Covent Garden Market will play a significant role in the transformation of Nine Elms through the creation of a new Food Quarter for London, making the Market's produce and expertise available to the public for the first time in over 40 years.

The first ingredient in delivering London's new Food Quarter is our Food Exchange, a hub for food businesses with space for studios, office and shared kitchens. This new building already houses innovative new food companies, reflecting the entrepreneurial spirit that is at the heart of New Covent Garden Market. In partnership with Mission Kitchen, a £3 million grant from the GLA will enable CGMA to create an inclusive and accessible incubation space for food start-ups as well as shared production kitchens. Our ambition is to nurture the next generation of food businesses - and many we feel sure will become loyal customers of the Market.

I would like to thank my Board and the CGMA staff for their commitment to one of London's most iconic projects, and all our tenants and their suppliers and customers for their forbearance.

Chief Executive's Review

Daniel Tomkinson, Chief Executive

The financial results for the year show a very profitable position, primarily due to the generation of £114m of accounting profit on disposal of the first element of surplus land in order to fund the redevelopment project. However, as I forecast in my review last year, the impact of the redevelopment on the business is beginning to show. As we recognised, both core and other income will be adversely affected as the redevelopment reduces the space available for letting.

Income from tenants was down slightly from £4.8m to £4.7m. The reduction is mainly due to a decrease in the number of office tenants while the number of core trading tenants in the Fruit & Vegetable and Flower Markets has remained fairly constant. CGMA's total revenue increased from £16.2m to £16.5m, primarily due to an increase in the proportion of costs recovered through recharges.

New Covent Garden Market plays a vital role in London's hospitality and foodservice sectors. No award ceremony or major sporting event takes place in London without the input of one of the tenants. From quality fruit to flowers and amazing veg, this iconic Market is a key part of London's life.

> "...this iconic Market is a key part of London's life."

The Market's trade figures can be seen as a barometer for the health of London's economy. The current climate, especially in the foodservice sector, has seen some real volatility driven by increases in wage costs, business rates and rents. However, despite some high profile restaurant chain closures on the high street, it was encouraging to see that both our wholesalers and our distributors are seeing strong growth, with both sectors increasing turnover by about 11%.

In their first year of trading in the new Flower Market, the majority of companies who transferred have also seen good growth. Many customers have noted how the colours and scents blaze in the modern facilities.

In January CGMA moved out of portakabins and into our new offices in the Food Exchange. This building has been designed to house a new community of food businesses and we have been encouraged by the strength of interest from that sector. Our new neighbours include two innovative ice cream companies, a breakfast cereal company and more are joining.

We continue to focus on business continuity during the construction period and to develop work around the logistics of the Market, both through the phases of the project and in its final form. We will be incorporating this into a revised programme this year as work starts on the main Fruit & Vegetable Market.

The redevelopment of an asset of the size and complexity of the Market is a complex project which needs to balance construction requirements with the operational needs of the Market. This is our biggest challenge. But I am confident that together with our tenants and our development partner we will deliver this redevelopment successfully.

New Covent Garden Market Trade

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

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

167	2500	£626m
businesses	employed	NCGM turnover 2017

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

Turnover £m	2016	2017	% change
Fruit & Vegetable Wholesalers	161	179	+11
Fruit & Vegetable Wholesale Distributors	202	225	+11
Flower Market	44	44	
Other Food Companies	72	68	-6
Importers	110	110	
Total	589	626	+6

Fruit & Vegetable Wholesalers

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

Fruit & Vegetable Wholesale Distributors

Daily deliveries, often more than once a day. **Prepared produce** - peeled, sliced, diced, juiced and an **extended product range** from frozen to morning and dried goods. NCGM is the only Market in the UK to have a complete **Red Tractor** supply chain.

Flower Market

The **only** dedicated flower and plant wholesale Market in the UK. Offering the **best of the world** and the **pick of British** flowers, foliage, plants and accessories.

Other Food Businesses

Turnover for this sector was reduced to £68m.

Importers

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


Assured Produce Number 2646
F.G. ROOK & SON
Best Golden Beet
Village Farm, Stanford
Biggleswade, Bedfordshire
SG18 9JQ
10 kg

Management Report

Lettings

New Covent Garden Market experienced a strong year from its property portfolio for the 2017/18 year.

Occupancy of core trading space was in line with the prior year at 90% (2016/17: 91%). This consistency masks the conflicting effects of the Flower Market moving to a smaller but fully occupied building, while 24,800 sq ft of Food Exchange office space achieved practical completion in November 2017 but was not yet fully let at the year end.

Demand for our largest activity, the Fruit & Vegetable Market, continues to be strong. As tenants leave or relinquish space, tenants on the Market are eager to fill the voids created. Occupancy for the Fruit & Vegetable Market remains at 93%. This is an extremely satisfactory result given we have been required to withhold some accommodation to ensure the volume of traffic does not overwhelm existing business and to enable transition between phases of the redevelopment project.

Core F&V Market
93% let 2017 | 93% let 2018

The new Flower Market continues to be 100% let.

Interim Flower Market % Let
100% let 2018

The occupancy level of the Rail Arches improved slightly, up 1% to 84%. The letting of certain vacant Rail Arch units has been held back to manage traffic volumes whilst the redevelopment is ongoing. Occupancy of office space and ancillary spaces was maintained at 23%, the low levels of occupancy being primarily due to space being vacated prior to being handed to our development partner for demolition.

Other Income

During the year the impact of the redevelopment, as Market land was used for construction, noticeably impacted ancillary income.

Revenue from car and coach parking reduced to £0.3m (2016/17: £0.6m). Such provisions are no longer offered on the site from the 1 January 2018, and the amount reported is the residual income generated prior to this date. It is anticipated that capacity to generate income in this way will continue to be severely constrained as the redevelopment continues to impact on available space.

Income from the Nine Elms Sunday Market (Sunday Market), which is a weekly market operated by Saunders Markets Ltd, held up well during the year. The revenue generated from the Sunday Market increased slightly to £1.0m (2016/17: £0.9m). CGMA recognises the importance of the Sunday Market to the local community and intends to maintain the operation of the Market throughout the redevelopment. However, the compression of available space will directly affect the income stream, as the weekend Market may be subject to multiple relocations and size constraints in line with the redevelopment.

Cleaning & Recycling

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

Total Volumes of Recycled Waste (tonnes) | up 1%
15,408 2016/17 | 15,620 2017/18

CGMA ensures that all organic waste continues to be treated through sustainable systems and that no organic waste is sent to landfill. Total waste for the year was 15,620 tonnes compared to 15,408 the previous year. Waste to energy and organic waste continue to account for about three quarters of all of the waste processed.

Tenants and customers are regularly advised of the environmental and cost implications of waste on their businesses, and generally participate in site-wide initiatives to segregate and process waste accordingly.

Security

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

The increased redevelopment activity during the year has impacted on the required level of security provision in particular. Greater congestion and altered traffic movements have resulted in higher manning levels. These levels are constantly reviewed to ensure appropriate provision within the context of the work undertaken on site at any given time.

Maintenance & Capital Works

Maintenance on the old Market is managed carefully to address operational functionality and regulatory requirements, while taking into account warranty periods and the future demolition as part of the redevelopment. Maintenance is provided by external and outsourced contractors.

During the year capital expenditure, excluding development related items, was £0.3m (2016/17: £0.8m).

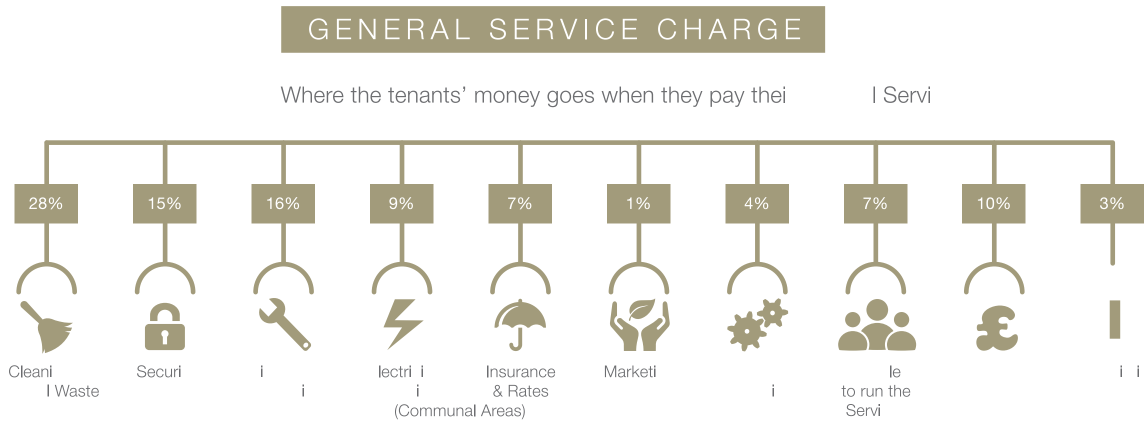
Service Charges

General Service Charge £ per sq ft
13.97 2016/17 | 15.07 2017/18

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

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

The GSC for the year was £15.07 per sq ft, after a rebate of £1.40 from the initial expectation of £16.47 per sq ft. This compared to £13.97 for the previous year. The primary components of the GSC are labour costs for waste management, cleaning and security. CGMA seeks to keep maintenance costs to a minimum despite the aged infrastructure.



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

Health & Safety

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

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

During the year there were 32 incidents on site reported to, or recorded by, CGMA security. This figure compares to a total of 38 incidents the previous year. The decrease is attributable to a focus on health and safety by all parties concerned, namely CGMA, the tenants, and the private development partner.

A total of 14 vehicle incidents took place on site (2016/17: 16), one of which was reportable in compliance with RIDDOR. These statistics are in the context of over one million vehicle movements across the entirety of the financial year. As previously reported, CGMA have continued to improve traffic and wayfinding routes given the proximity of vehicles and pedestrian movements across the site. Any disruption to marked walkways and roadways as part of the redevelopment is communicated to Market users in advance. Traffic marshals as well as additional signage are stationed at vantage points to help minimise any significant hazards.

The redevelopment has reached 984,000 hours worked with no RIDDOR accidents for the 2017-18 year, which equates to an Accident Frequency Rate (AFR) of 0.

CO^2 Emissions (tonnes) | down 29%

9,820 2016 | 6,965 2017

Environment

CGMA is committed to reducing the carbon footprint of the Market despite the age of the infrastructure. The total CO^2 produced by gas and electricity was 6,965 tonnes compared to 9,820 tonnes the previous year, a decrease of 29%. Gas consumption reduced by 60% and electricity consumption reduced by 16.2%.

Promoting the Market

In addition to introducing new customers to the Market, CGMA promotion includes running British Flowers Week in June, taking part in the London Festival of Architecture and Wandsworth Enterprise Week. NCGM was also represented at the London Produce Show. As well as extensive media coverage in both trade and consumer press, effective promotion is carried out on social media across a number of different platforms.

Local Community & London

As part of its Corporate Social Responsibility, CGMA's Community Fund supports two main charities, City Harvest and Floral Angels, as well as donating funds to a number of local projects. City Harvest is a food redistribution charity feeding disadvantaged people. Floral Angels recycle and repurpose flowers and deliver them to those in need in the community.

Stakeholders

CGMA actively engages with stakeholders to promote the Market's role in London. It is represented on both the GLA's London Markets Board and the London Food Board as well as TfL's Freight Forum and the GLA's Industry & Logistics. Pam Alexander is Chair of the Nine Elms Cultural Strategy Working Group and Daniel Tomkinson chairs the Nine Elms Business and Employment Working Group. In the year, visits to the Market included:

- The new US Ambassador, Robert Johnson
- Defra Minister Lord Gardiner:
  Parliamentary Under Secretary of State for Rural Affairs and Biosecurity
- Marsha de Cordova, the local MP for the Battersea constituency
- Ravi Govindia, Leader of Wandsworth Council
- Ben Plowden, Director of Surface Strategy & Network Development at TfL

In addition, there were delegations from Rwanda, Holland, Serbia, Peru and Japan.

Financial Report

During the year, the Northern site was disposed of at an accounting profit of £114m. Excluding this one-off land sale required to fund the redevelopment project, the financial results for the year continue to show a healthy profitable position. However, the impact of the redevelopment project on the business' finances are beginning to become evident, with the surplus before redevelopment activity down £0.2m on the prior year, to £1.2m. As predicted, both core and other income are starting to be adversely affected as the redevelopment has reduced available space in comparison to previous years.

The profit for the financial year after tax was £102.1m.

During the year CGMA paid a dividend to Defra of £36.3m, of which £36.1m was in respect of the sale of Northern site. CGMA also paid a net cost of capital payment of £0.6m to Defra.

Accounts Presentation

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

Revenue

Total revenue increased marginally from £16.2m to £16.5m, primarily due to an increase in the proportion of costs recovered through recharges.

Rents from tenants decreased marginally during the year to £4.7m (2016/17: £4.8m).

The GSC, representing costs recovered from tenants, was £7.4m (2016/17: £7.3m). This was a slight increase compared to the previous year, mainly due to the impact of labour pay increases and increased waste disposal costs.

Income from car and coach parking declined by 50% to £0.3m (2016/17: £0.6m), a continuing trend from prior years, as a result of the reduction in available space. By contrast, Sunday Market income proved resilient with a 9% increase in revenue to £1.0m (2016/17: £0.9m), underlining the value that the local community place on the Sunday Market and also reflecting efficient management of the space available.

CGMA is subject to an annual cost of capital charge from Defra, but it also receives a subsidy towards the cost of capital charge from Defra. The effect of the charge and subsidy is a net cost of £0.6m for the year, an increase from £0.5m in the previous year.

Operating Costs

Staff costs for the year increased to £2.2m (2016/17: £2.1m). This increase is due to an increase in the number of staff associated with the redevelopment

Operating costs, excluding staff costs, increased to £10.7m (2016/17: £10.5m). Cost increases in the areas of security, cleaning and waste disposal were only in part mitigated by decreases in other costs, most notably lower utilities and publicity expenditure, while there was an increase in costs reimbursed.

Result for the Financial Year

The profit for the financial year was £102.1m compared to £2.1m the previous year. The year's result was after a substantial profit on the disposal of the Northern site as part of the redevelopment of the Market. Operating profit before Redevelopment Project costs was £1.2m (2016/17: £1.4m), a reduction on the previous year due to reduced revenue and increased operating costs described above.

Redevelopment Project costs decreased to £0.3m (2016/17: £0.7m), reflecting that staff costs related to the Project team have been capitalised during the year. £1.0m of other costs related to the redevelopment have been capitalised as well.

Corporation tax for the year was a charge of £13.3m (2016/17: credit of £1.4m) after the application of rollover relief on the proceeds of the sale of the Northern site.

During the year total dividends of £36.3m (2016/17: £3.3m) were paid to Defra, consisting of a £0.25m dividend in respect of the underlying profit and a special dividend of £36.1m following the sale of the Northern site.

Pension Fund

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

As at 31 March 2011, the Authority's defined benefits scheme ceased the accrual of future benefits. The Authority continues to make a monthly contribution to reduce the existing deficit in the scheme. The valuation in compliance with IAS 19 as at 31 March 2018 generated an actuarial profit in the year of £0.4m, this is due to the effect of changes in financial assumptions. As a result, the deficit year on year has decreased by £0.5m to £2.5m (2016/17: £3.0m).

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

Net Cash Flow

The level of cash and cash equivalents for the year increased by £87.8m to £99.7m (2016/17: £11.9m). The increase includes £83.4m in respect of monies held for the benefit of our development Partner, VSM, in accordance with the development agreement.

Included in the total cash and cash equivalents is £2.2m (2016/17: £2.0m) in respect of monies held on behalf of tenants.

Capital Expenditure & Fixed Assets

Capital expenditure during the year totalled £48.9m (2016/17: £21.1m). This included expenditure of £11.2m on completed development assets and £16.7m on construction in progress at the year-end on incomplete development assets. To reflect the fact that most of the new Market has been paid for despite construction still being in progress, £35.6m has been recognised as a debtor balance from our development partner, as per the table in Note 13 to the accounts.

The book value of tangible fixed assets, allowing for additions and disposals and adjusting for fully written off assets, but before allowing for depreciation charges, was £45.8m. It is the Authority's opinion that the market value of the Market land and buildings exceeds the book value shown in the Accounts.

Total Equity

The total comprehensive income for the year resulted in an increase in the value of net assets to £75.1m (2016/17: £8.9m).

Key Performance Indicators

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

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

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

Having regard to the profit made in the financial year 2017/18 and in previous years, notwithstanding the losses made in certain prior years, it is considered, taking one year with another that the requirement has been met.


P.R. BONES
ISLE OF

Governance Statement

Responsibilities

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

In order to discharge this responsibility, I ensure that CGMA maintains a sound system of risk management, governance, decision-making, financial management and internal control that supports the achievement of the Authority's policies, aims and objectives and that are set out in the relevant government guidance. The relationship between the Authority and its sponsoring department, Defra, is set out in a Framework Document.

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

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

Authority Board Members' Responsibilities

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

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

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

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

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

The Authority Board Members 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.

The Authority's Board

CGMA is governed by a Board comprising a Chair and a maximum of seven other Non-Executive Members, appointed by the Secretary of State for Environment, Food and Rural Affairs. One of these members is nominated by the Secretary of State for

Transport. Their appointment is usually fixed for a period of between two and four years and their remuneration is set by the Secretary of State. Subject to performance, the Secretary of State may decide to reappoint Board Members without competitive selection. However, the Ministerial Governance Code on Public Appointments specifies that: 'there is a strong presumption that no individual should serve more than two terms or serve in any one post for more than ten years. In exceptional cases, Ministers may decide an individual's skills and expertise are needed beyond such a tenure'. The appointments are intended to ensure a balance of skills and experience relevant to the various sectors of the business.

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

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

	Board	**Audit & Risk**	**Finance & Strategy**	**Remuneration**
Total number of meetings	**6**	**4**	**5**	**2**
Pam Alexander	6/6	-	-	2/2
Bill Edgerley	6/6	-	5/5	2/2
Nigel Jenney	6/6	-	4/5	-
John Lelliott	5/6	4/4	-	2/2
Sir Edward Lister	5/6	-	3/5	-
Archie Robertson	6/6	4/4	-	-
Sara Turnbull	6/6	3/4	-	-
Teresa Wickham	6/6	-	5/5	-

Audit & Risk Committee

The Audit & Risk Committee comprises three Members of the Board. Membership at the year-end consisted of John Lelliott (Chair), Archie Robertson and Sara Turnbull. The Chief Executive attends meetings as well as other appropriate Members of the Authority. The Committee met four times during the year 2017/18. The Chair of the Committee provides a regular report to the Board concerning internal controls and risk management policies and procedures after each meeting.

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

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

Finance & Strategy Committee

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

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

Remuneration Committee

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

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

Redevelopment Project

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

During 2017/18 work has continued on building the new Market. In line with the Development Agreement, a Development Review Group meets monthly. This includes representatives from VSM and CGMA. In addition, there are regular site meetings covering different aspects of the redevelopment on either a weekly or monthly basis.

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

The Authority as a Going Concern

The Authority's Board is required to give an opinion as to whether there is a reasonable expectation that adequate resources exist for the Authority to continue in operational existence for the foreseeable future. Any such view must take account of the pressing need for substantial investment in the Market's facilities. The contract with VSM is unconditional and provides the Authority with various forms of protection to mitigate the risk that VSM fail to fulfil their obligations to complete the redevelopment. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights. As a result, the rebuilding of the Market should be secured: further detail is supplied in the section on Risk Management below. It is therefore the opinion of the Authority's Board that the Authority has adequate resources to continue in operational existence for the foreseeable future.

The System of Internal Control

The system of internal control is designed to manage to a reasonable level, rather than eliminate, all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2018 and up to the date of approval of the Report and Accounts, and accords with HM Treasury guidance.

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

Risk Management

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

Board	Audit & Risk Committee	Chief Executive Officer	Management
Responsibility for overseeing risk management	Reviews effectiveness of risk management controls and advises Board	Responsibility for ensuring effective systems of control are maintained and operated	Supports, advises and implements policies approved by the Board

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

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

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

Risk	Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
Impact of development on tenants			
The ongoing construction of the new Market may adversely affect the ability of the tenants to continue to trade unhindered.	The Development Agreement provides various protection measures and commitments that ensure the tenants have the right to business continuity during the period of the development.	↔	↔
Reputation and confidence			
A risk to CGMA's reputation and the tenants' and other stakeholders' confidence in them as landlord should the project not be delivered to the agreed plan or if the quality of execution affects the Market operation.	By developing a close co-operative working relationship with VSM such that any issues are addressed effectively and in timely way, whilst ensuring the specification and quality control process is adhered to as defined in the Development Agreement.	↔	↔
Terrorism or security impact			
An external event could severely impact either the operation of the Market or the progress of the development.	CGMA maintains regular dialogue with neighbours and relevant authorities. Regular review of business continuity plans and scenario incident exercises also takes place.	↔	↔
Development partner problems			
Should the development partner experience problems which would result in it not being able to complete the development, then the Market could be left in a position of incomplete buildings.	There are a number of protections within the Development Agreement, should the development partner experience problems. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights.	↔	↔
Vacant possession			
The delivery of vacant possession so that works can start on site on time and the surplus land be released as intended.	CGMA has inserted a landlord's break clause within all the current leases and VSM ensures that there are new premises available for tenants to move into when their current lease ends.	↔	↔
Loss of stakeholder support			
The long term plan for the Market cannot succeed without the support of government, town planning and highway authorities, tenants and other stakeholders.	Maintaining a dialogue with all stakeholders as the project proceeds and the delivery of the long-term plan is progressed. Defra is briefed regularly on the progress being made. Appropriate contacts are being maintained with the town planning and highway authorities.	↔	↔
Complexity of project			
The project is inherently complex with numerous critical factors.The redevelopment would be liable to fail if CGMA was not appropriately resourced and funded to manage its area of responsibility.	CGMA has recruited appropriately qualified staff and advisers, with a robust reporting procedure monitored by the Board.	↔	↔
Quality of development end product			
Lack of clarity or misunderstanding in the development specification adversely impacts end product.	CGMA works closely with VSM to clarify the detailed specification and ensure sufficient specialist resource is in place.	↔	↔
Construction costs and sales values			
Significant construction inflation or falls in land values could adversely affect the ability to complete the development.	The risk of construction cost inflation and land value changes have been transferred to the development partner.	↔	↔

Risk	Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
Policy change			
The strategic and policy framework for the Market is determined by the government and town planning authorities. A significant change to that framework could undermine the redevelopment project.	The Authority seeks to ensure that the issues facing the Market are properly communicated to those who directly influence policy and to the wider community. The Authority uses professional town planning consultants to engage in formal planning processes and a communications agency to advise on more general communications.		
Loss of a large part of the site			
A fire or other major incident could seriously affect the business of the Market.	Preventative measures in place include: risk assessments, hot works control permits, third party inspections and the provision of guidance to tenants on how to minimise their risk. There is also a close working arrangement with the developer. The Authority's business continuity plan is regularly reviewed and tested.		

Review of Effectiveness

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

The opinion of the internal auditors, based on areas of activity reviewed during 2017/18, is that CGMA has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by CGMA. In respect of the areas reviewed, the internal auditors concluded that CGMA has an adequate, effective and reliable framework of internal control and effective risk management and governance processes which provides reasonable assurance regarding the effective and efficient achievement of CGMA's objectives. During the year there were no instances of actual or suspected fraud encountered during the internal auditors work.

Disclosure of Information to the Auditor

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

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

Daniel Tomkinson

Daniel Tomkinson, Chief Executive, Covent Garden Market Authority

Foreword to the Accounts

History, Statutory Background & Principal Activities

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

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

The Market moved to the current site in 1974 and currently has 167 tenant companies, of which the majority are wholesale and distributive tenants in the horticultural sector. There are a number of other tenants, including importers and firms supplying foodstuffs and catering and other services. The site is currently undergoing a wholesale redevelopment to create a renewed Market estate.

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

Equal Opportunities & Equality Act 2010

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

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

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

Contractual Arrangements Essential to the Business

CGMA has lease agreements with each of its tenants.

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

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

Business Review

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

Financial Risk Management

Financial Risk Management Details of the Authority's financial instruments and its policies with regard to financial risk management are given in note 20 to the Accounts.

Political & Charitable Donations

The Authority does not make political donations. Charitable and other donations during the year amounted to £27,950 (2016/17: £27,650).

Business Prospects

The Authority's Board believes that the Market must change if it is to continue to provide a high level of service to wholesalers and London businesses in the 21st century. Updating Market facilities will require considerable investment which has been secured by means of a land trade with our development partner. Rebuilding of the Market is underway and is forecast to take several years on a phased basis, with the total programme length currently under review in order to ensure business continuity is maintained for tenants' businesses.

Open Government & Publication Scheme

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

Complaints Procedure

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

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

Payment of Creditors

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

Personal Data Related Incidents

There were no protected personal data related incidents reported for CGMA in 2017/18. CGMA will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvements of its systems.

Health and Safety

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

Environment

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

CGMA works to reduce its environmental impact by:

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


29
28

The Board

Members of the Authority (as at 31 March 2018)

Pam Alexander OBE

Chair and Authority Member from 1 February 2013

Appointed until 31 January 2019

Currently

Chair
Nine Elms Cultural Steering Group

Non-Executive Director
Crest Nicholson plc

Crossrail Ltd

Future Cities Catapult

Trustee
Design Council

Member
London Mayor's Cultural Leadership Group

New London Architecture Sounding Board

Previously

Chief Executive
South East England Development Agency (SEEDA) 2003-2011

English Heritage 1997-2001

Deputy Chief Executive
Housing Corporation 1995-1997

Senior Civil Servant
Department of the Environment 1975-1994

Bill Edgerley

Authority Member from 1 March 2010

Appointed to 28 February 2019

Currently

Trustee
Royal Greenwich Heritage Trust

Henry Moore Foundation

Previously

Trustee
Cutty Sark 2010-2016

Chairman
Cutty Sark Enterprises 2010-2016

Managing Director
P&O Estates Limited 2005-2009

P&O Developments Limited 1994-2009

Chief Executive
Riverbus Partnership 1991-1993

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

Nigel Jenney

Authority Member from 21 September 2013

Appointed to 20 September 2019

Currently

Chief Executive
Fresh Produce Consortium

Non-Executive Director
Freshfel (European fresh produce trade association)

International Federation of Produce Standards

Previously

Managing Director
Univeg 2000-2004

ERFP 1996-2000

Senior Management
H J Heinz 1988-1996

Department of Agriculture, Scotland 1982-1988

Teresa Wickham

Authority Member from 21 September 2013

Appointed to 20 September 2019

Currently

Chair
Westminster Ebury Bridge Community Futures Group

Member
Harvard Business School PAPSAC Committee

Worshipful Company of Farmers

Previously

Ambassador
Tomorrow's People

Chief Executive
TWA Communications

CSR Adviser
Sainsbury Board

Governor
Royal Agricultural University Cirencester

National Chairman
Women's Farming Union 1979-1985

Director
Safeway Stores 1990-1996

Chair
London Tourist Board 2000-2002

Archie Robertson OBE

Authority Member
from 1 July 2013

Appointed to
30 June 2020

Currently

Non-Executive Chairman
RapidSD Ltd

Living Streets (Charity) & Living Streets Services Ltd

Via Verde Inc (Europe)

Director
Ardnish Experiences Ltd

Non-Executive Director
International Nuclear Service Ltd

Previously

Strategic Adviser
Happold Consulting Ltd
2013-2014

Chief Executive
David MacBrayne Group
2010-2012

The Highways Agency
2003-2008

Non-Executive Director
Capita Symonds Ltd
2008-2011

ASI plc
2009-2010

Operations Director
The Environment Agency
1995-2003

Sir Eddie Lister

Authority Member
from 1 July 2016

Appointed to
30 June 2020

Currently

Chairman
Homes England

Director
Eco World Management Advisory Services (UK) Ltd

Stanhope plc

Edward Lister Consultants Ltd

Governor
Museum of London

Previously

Chief of Staff & Deputy Mayor London
June 2011-May 2016

Chair
Old Oak Common Development Corporation
June 2015-May 2016

Leader
Wandsworth Council
May 1995 - May 2011

Sara Turnbull

Authority Member
from 21 September 2016

Appointed to
20 September 2019

Currently

Chairman
Mayor of London's Workspace Board

Director
HS2 Community & Business Funds Independent Panel Member

Work WILD Limited Director & Founder

Associate Partner
Foster Partners

Previously

Chief Executive
Bootstrap Company Chief Executive
July 2012-April 2017

Trustee
Energy Institute

Women's Engineering Society

John Lelliott OBE

Authority Member
from 21 September 2016

Appointed to
20 September 2020

Currently

Chairman
Natural Capital Coalition

ACCA Global Forum on Sustainability

Non-Executive Director
Royal Bournemouth & Christchurch NHS Foundation Trust

Environment Agency

Trustee
Asthma UK

Member
HRH The Prince of Wales' Accounting for Sustainability Advisory Council

Previously

Interim Chief Financial Officer
The Crown Estate
January 2016-September 2016

Finance Director 2001-2015

Contents for Covent Garden Market Authority's Accounts 2017/18

5 Year Summary of Financial Statements

		2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	**2017/18 £'000**
1	Gross income including finance income	18,038	17,777	17,992	17,793	**18,057**
2	Gross expenditure including depreciation	(14,880)	(16,022)	(16,168)	(16,413)	**(16,828)**
3	Surplus before redevelopment activity	3,158	1,755	1,824	1,380	**1,229**
4	Disposal of assets	-	-	11,274	-	**114,432**
5	Redevelopment project costs	(1,176)	(908)	(444)	(686)	**(257)**
6	Surplus for the year	1,982	847	12,654	694	**115,404**
7	Corporation tax & deferred tax	62	108	(2,002)	1,400	**(13,276)**
8	**Net profit after accounting for tax**	2,044	955	10,652	2,094	**102,128**
9	**Capital & reserves**	10,298	10,448	11,584	8,915	**75,140**

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

We have audited the financial statements of Covent Garden Market Authority (the 'Authority') for the year ended 31 March 2018 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Covent Garden Market Acts 1961 to 1977.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the 57th Report & Accounts 2017/18, other than the financial statements and our auditor's report thereon. The Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Members' remuneration specified by law are not made; or
- the Governance Statement does not reflect the Authority's compliance with the Treasury guidance 'Corporate Governance: Statement on Internal Control', does not meet the requirements for disclosure specified by the Treasury, or the statement is misleading or inconsistent with other information that we are aware of from our audit of the financial statements; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Members' responsibilities statement set out on page 19, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

This description forms part of our auditor's report.

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

25 Moorgate, London, EC2R 6AY

5 July 2018

Income Statement for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Revenue	2	**16,504**	16,207
Government cost of capital subsidy	1n	**1,430**	1,530
		17,934	17,737
Operating expenditure			
Operating costs (excluding staff costs)	3	**(10,749)**	(10,472)
Board Members and staff costs	10	**(2,270)**	(2,085)
Depreciation	12	**(1,707)**	(1,779)
Government cost of capital charge	1n	**(2,030)**	(2,030)
Operating profit (before redevelopment activity)		**1,178**	1,371
Disposal of assets	4	**114,432**	-
Redevelopment project costs	1q & 5	**(257)**	(686)
Operating profit (after redevelopment activity)		**115,353**	685
Finance income	6	**123**	56
Finance costs	9	**(72)**	(47)
Profit before taxation		**115,404**	694
Taxation	11	**(13,276)**	1,400
Profit for the financial year		**102,128**	2,094

Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		**102,128**	2,094
Other comprehensive income for the year			
Actuarial profit/(loss) on defined benefit pension plan	15	**420**	(1,714)
Income tax associated with actuarial profit/(loss) on pension liability	17	**(71)**	291
Total comprehensive income for the year		**102,477**	671

Statement of Financial Position as at 31 March 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**35,083**	23,931
Deferred tax assets	17	**420**	504
Total non-current assets		**35,503**	24,435
Current assets			
Trade and other receivables	13	**39,672**	1,392
Cash and cash equivalents	14	**99,724**	11,865
Current tax assets		**-**	1,266
Total current assets		**139,396**	14,523
Total assets		**174,899**	38,958
Equity and liabilities			
Equity			
Reserve fund		**400**	400
Retained earnings		**74,740**	8,515
Total equity		**75,140**	8,915
Non-current liabilities			
Deferred tax liabilities	17	**486**	209
Employee retirement benefit obligations	15	**2,469**	2,966
Total non-current liabilities		**2,955**	3,175
Current liabilities			
Trade and other payables	18	**90,256**	26,711
Current portion of deferred capital government grants	16	**-**	157
Current tax liabilities		**6,548**	-
Total current liabilities		**96,804**	26,868
Total liabilities		**99,759**	30,043
Total equity and liabilities		**174,899**	38,958

The accounts were approved by the Authority's Board and were signed on its behalf on 5 July 2018 by:

P Alexander OBE Chair

D Tomkinson Chief Executive Officer

5 July 2018

Statement of Changes in Equity for the year ended 31 March 2018

	Reserve fund £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2016	400	11,184	11,584
Profit for the year	-	2,094	2,094
Other comprehensive income	-	(1,423)	(1,423)
Total comprehensive income for the year	-	671	671
Dividends paid	-	(3,340)	(3,340)
Balance at 31 March 2017	400	8,515	8,915
Profit for the year	-	102,128	102,128
Other comprehensive income	-	349	349
Total comprehensive income for the year	-	102,477	102,477
Dividends paid	-	(36,252)	(36,252)
Balance at 31 March 2018	400	74,740	75,140

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

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

Statement of Cash Flows for the year ended 31 March 2018

	Note	**2018 £'000**	2017 £'000
Operating cash flow (before redevelopment project costs)		**82,896**	1,464
Operating cash outflow relating to redevelopment project costs		**(161)**	(773)
Cash flow from operating activities	19	**82,735**	691
Income taxes paid		**(5,173)**	(1,250)
Net cash inflow/(outflow) from operating activities		**77,562**	(559)
Dividend paid		**(36,252)**	(3,340)
Cash flow from investing activities			
Interest received		**123**	56
Purchases of property, plant and equipment		**(1,483)**	(1,744)
Proceeds on disposal of property, plant and equipment		**47,909**	-
Net cash inflow/(outflow) from investing activities		**46,549**	(1,688)
Net increase/(decrease) in cash and cash equivalents		**87,859**	(5,587)
Cash and cash equivalents at beginning of year*		**11,865**	17,452
Cash and cash equivalents at end of year*		**99,724**	11,865

* Of this balance, £83.4m (2016/17: £nil) is restricted. The monies held are for the benefit of the Development Partner, VSM, however their release is conditional on the conditions of the Development Agreement being met.

Notes to the Accounts for the year ended 31 March 2018

1 Accounting policies

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

a Basis of preparation

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

The Accounts for 2017/18 have been prepared in accordance with the standard direction and the legislative requirements of the Covent Garden Market Act 1961 as follows:

- i The Authority shall, as soon as possible after the end of each of its accounting periods, make a full report to the Secretary of State on the exercise and performance by it of its powers and duties during that period.
- ii The Authority shall keep proper accounts and proper records in relation to the accounts and shall prepare in respect of each accounting period a statement of accounts in such form as the Secretary of State, with the approval of HM Treasury, may direct, being a form which shall conform to the best commercial standards.
- iii The accounts of the Authority shall be audited by auditors to be appointed by the Authority with the approval of the Secretary of State, and a person shall not be qualified to be so appointed unless he is a member of one or more of the following bodies:

  The Institute of Chartered Accountants in England & Wales

  The Institute of Chartered Accountants in Scotland

  The Association of Chartered Certified Accountants

  The Institute of Chartered Accountants in Ireland

  Any other body of accountants established in the United Kingdom and for the time being recognised for the purposes of Paragraph (a) of Subsection (i) of Section 161 of the Companies Act 1948 by the Board of Trade.
- iv The report required by subsection (i) of this section for any accounting period shall set out any direction given to the Authority under Sections 37, 42, 44 or 45 of the Covent Garden Market Act 1961 (as amended) during that period and shall include such information relating to the plans, and past and present activities, of the Authority and the financial position of the Authority, as the Secretary of State may from time to time direct.
- v There shall be attached to the said report for each accounting period a copy of the statement of the accounts in respect of that period and a copy of any report made on the statement by the auditors.
- vi The Authority shall furnish to the Secretary of State such returns or other information relating to the property or activities or proposed activities of the Authority as the Secretary of State may from time to time require, and shall afford him facilities for the verification of information furnished by them in such manner and at such times as he may require.
- vii The Secretary of State shall lay a copy of each report made to him under subsection (i) of this section and of the statement attached thereto before each House of Parliament, and copies of each such report and statement shall be made available to the public at a reasonable price.

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

b Critical accounting judgements and key sources of estimation uncertain

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

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

The main areas of judgement and estimation are provided below.

i Recoverability of trade and other receivables

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

All individual balances are reviewed on a month by month basis. Whilst every attempt is made to ensure that any bad debt provision is as accurate as possible, there remains a risk that the provisions do not match the level of debt which may ultimately prove to be uncollectible.

The carrying amount of the Authority's receivables in these accounts, net of provisions, is £4.019m (2016/17: £1.170m).

ii Post retirement benefits

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

See notes 1i and 15 for further details.

iii Provision for taxation

In providing for tax due, the Authority has made judgements regarding the availability of certain deductions for tax purposes. The key area of judgement relates to the Authority's application for rollover relief on the sale of the Northern site and in particular the Authority incurring sufficient qualifying expenditure within the timeframe permitted. Any delays to the completion of the Market redevelopment may have an adverse impact on the Authority's ability to rollover the gains.

See note 11 for further details.

iv Accounting for the development

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

v Recognition of the exchange transaction

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

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

vi Valuation attributable to the asset received

The fair value of the Market was valued externally by Gerald Eve based upon a discounted thirty-year cash-flow model incorporating a terminal value. The valuation has been performed in accordance with the Valuation Practice Statements and Practice Guidance contained in the Valuation - Professional Standards, incorporating the International Valuation Standards of the Royal Institute of Chartered Surveyors. The valuation was completed on the basis of special assumptions: (i) the Market buildings are completed to the development specification and the Market is operating as a trading entity; and (ii) the valuation was carried out on the basis of existing use. The original valuation assumptions have been reassessed at year end to ensure there has been no significant change, therefore no remeasurement of the fair value is required. It was concluded in collaboration with Gerald Eve that no material variation is needed.

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

See also note 12.

c New standards and interpretations

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

The full impact on the Authority should be considered in detail in the near future.

The following new International Financial Reporting Standards ('IFRS') were effective for the year ended 31 March 2018:

- Amendments to IAS 7:
  Statement of Cash Flows Disclosure Initiative
- Amendments to IAS 12:
  Recognition of Deferred Tax Assets for Unrealised Losses

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

Certain standards require retrospective application to prior year figures if such application is deemed to have a material effect on the comparative figures. Having considered this for each relevant standard, the Members do not believe that adjustments are necessary.

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

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers.
- IFRS 16: Leases
- Amendments to IAS 19:
  Plan Amendment, Curtailment or Settlement
  (not yet endorsed by EU)
- Conceptual Framework for Financial Reporting
  (not yet endorsed by EU)

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

- IFRS 9: Applicable for the year ended 31 March 2019 accounts. Adjustment will be required to reflect the new impairment model within IFRS 9 and is expected to impact impairment losses relating to trade and other receivables; the precise quantum of adjustment has yet to be fully assessed. It is not anticipated that IFRS 9 will have an impact on other balances reported.
- IFRS 15: Applicable for the year ended 31 March 2019 accounts. Initial assessments indicate that IFRS 15 will not have a significant impact on the Authority's rent and service charge income, commercial and car park charges and Sunday Market income. The impact on other sundry income streams and one off income amounts has yet to be fully assessed.

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

d Property, plant and equipment

i Properties

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

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

ii Plant and equipment

Plant, equipment and motor vehicles are stated at cost less accumulated depreciation and provision for impairment. These assets are depreciated on a straight line basis using various rates which reflect the expected useful life of the assets. These range from three to eight years.

iii Development assets and construction in progress

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

The Authority recognises costs within the financial statements in relation to the work performed to date based upon assessments of the stage of completion, as provided by the development partner. The carrying value of assets are based on an estimate of the total actual costs to complete the development and the actual costs incurred by year end, taking into account the fair value of the development assets capitalised and the remaining fair value of assets still to be capitalised. At year end completed assets are stated at their fair value less accumulated depreciation and provision for impairment with the assets being depreciated on a straight line basis of 50 years for buildings and between three to eight years for plant and machinery. Assets under the course of construction are carried at cost less impairment and include professional fees, costs of construction and directly attributable staff costs. Depreciation of these assets commences when they are capable of use.

e Impairment of assets

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

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

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

Impairment losses recognised for cash-generating units are charged pro rata to the other assets in the cash-generating unit.

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

f Profit or loss on disposal of assets

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

g Deferred income

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

h Reserve fund

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

Retained earnings

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

i Pensions

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

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

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

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

j Deferred taxation

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

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

Deferred tax liabilities are provided in full.

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

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

k Government grants

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

l Revenue

i Rent, sales of services and other income

Revenue is recorded on an accruals basis when the Authority has obtained a right to consideration and is exclusive of value added tax and the amount of any deferred income, where receivable in the year but in relation to future accounting periods.

The majority of the revenue is rent and service charge from tenants which is predominantly invoiced quarterly in advance in accordance with lease contracts. Revenue from parking and entry charges is mainly collected at the point the event takes place.

ii Interest income

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

m Financial instruments

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

i Loans and receivables

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

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

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 benefit of our Development Partner, VSM. The Authority has recognised a liability of an equivalent amount to reflect the nature of this arrangement.

See note 19 for further information.

iii Trade and other payables

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

See note 21 for further details on financial instruments and risk management.

n Cost of capital

Defra levies a cost of capital charge on the Authority in accordance with guidance set out in the Treasury Consolidated Budgeting Guidance. The charge represents the notional cost to the government of holding assets. In 2017/18 the charge was calculated by reference to a valuation by DVS - Valuation Office Agency as at 31 March 2009 and a 3.5% rate of return. Defra pays a subsidy to the Authority which contributes towards the payment of the charge.

o 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. Ten purchase days (2016/17 - four purchase days) were outstanding on the purchase ledger at the year end.

p Ultimate controlling party

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

q Redevelopment project costs

Costs arising from the project to redevelop the Market, including managing the project, are classified as 'redevelopment project costs'.

2 Revenue

	2018 £'000	2017 £'000
Income from tenants		
Rents	**4,720**	4,800
Recoveries from tenants	**7,440**	7,250
Other income		
Commercial vehicle charges	**1,304**	1,274
Car and coach parking charges etc	**259**	573
Sunday Market	**992**	907
Miscellaneous receipts	**205**	196
	14,920	15,000
Recharge of costs incurred	**1,584**	1,207
	16,504	16,207

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

3 Operating costs (excluding staff costs)

	2018 £'000	2017 £'000
Market security	**1,328**	1,307
Rates	**274**	482
Maintenance, repairs and renewals	**1,463**	1,564
Cleaning and waste	**3,122**	3,067
Heat, light and power	**2,036**	2,007
Insurance	**417**	435
Printing, stationery and telephone	**92**	53
Professional fees	**334**	325
Bad debt provision	**81**	20
Publicity	**136**	94
Sunday Market operating costs	**419**	369
General expenses	**303**	352
Costs reimbursed	**744**	397
	10,749	10,472

4 Profit on disposal of fixed assets

	2018 £'000	2017 £'000
Proceeds on disposal	**114,681**	-
Net book value	**(249)**	-
	114,432	-

5 Redevelopment project costs

	2018 £'000	2017 £'000
Project costs	**257**	686
	257	686

6 Finance income

	2018 £'000	2017 £'000
Bank interest receivable:		
On Market activities	**123**	46
On funds invested following the sale of Market Towers	**-**	10
	123	56

7 Operating profit for the year is stated after charging

	Note	2018 £'000	2017 £'000
Depreciation of property, plant and equipment	12	**1,707**	1,779
Staff costs	10	**2,270**	2,085
		3,977	3,864

8 Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the Authority's auditor for the audit of the Authority's annual accounts	**32**	32
Fees payable to the Authority's auditor for other services:		
Relating to taxation	**53**	59
Relating to other services	**13**	14
Fees payable to the Authority's auditor in respect of associated pension schemes	**5**	5
	71	78

9 Finance costs

	Note	2018 £'000	2017 £'000
Net interest costs on pension	15	**72**	47
		72	47

10 The Members and Staff Costs

The Members of the Authority during the year were:

Ms P E Alexander OBE (Chair) • Mr W T Edgerley • Mr N R Jenney • Mr A Robertson OBE • Mrs T M Wickham • Sir Edward Lister • Ms S Turnbull • Mr J Lelliott OBE

The Chair was the highest paid Member during the year. During the year the Chair's emoluments were £42,000 (2016/17: £42,000) in relation to base salary.

In addition, Members are reimbursed for expenses incurred in fulfilling their duties. During the year the Chair was paid £653 in respect of reimbursed expenses (2016/17: £917).

Other Members' emoluments were in the following ranges:

	2018	2017
£0 - £5,000	**-**	2
£5,001 - £10,000	**3**	4
£10,001 - £15,000	**3**	2
£15,001 - £20,000	**1**	1

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

The Principal Officers of the Authority during the year were:

	Age	**Remuneration 2018 £**	Remuneration 2017 £
Mr D Tomkinson, Chief Executive Officer	47	**153,450**	93,965
Mr F Knipe, Finance Director (left 28.02.2018)	49	**120,672**	101,842
Mrs J Lloyd, Chief Executive Officer (left 31.07.16)	57	**-**	55,353
Mr R Marlow, Operations Director	67	**125,962**	110,450
Mrs H Evans, Business Development & Support Director	60	**85,627**	87,132
Mr M Weatherald, Property & Project Director	55	**161,838**	148,078
Mr Tony O'Reilly (joined 18.09.2017)	56	**65,815**	-
Mr Mark Ewing (joined 26.02.2018)	46	**10,157**	-

The principal Officers of the Authority are also considered key management, being persons responsible for the planning, controlling and directing the activities as defined in IAS24 Related Party Disclosures.

The Authority contributed 10% or 15% (2016/17: 10% or 15%) of pensionable salaries to a Pension Plan for each applicable officer. The total of contributions for the other principal officers for the year amounted to £121,760 (2016/17: £95,511).

The employer's national insurance on the remuneration of the above officers of the Authority amounted to £86,961 (2016/17: £70,936).

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

	2018	2017
Administration	**38**	35
	38	35

Staff costs for the above persons were:

	2018 £'000	2017 £'000
Board Members - aggregate emoluments	**130**	133
Wages and salaries	**1,896**	1,732
Social security costs	**201**	178
Pension service costs	**256**	223
Total payroll cost	**2,483**	2,266
Less amounts capitalised during the year	**(213)**	-
Less amounts included in redevelopment project costs	**-**	(181)
Board Members and staff costs	**2,270**	2,085

The following number of employees received salaries in the ranges:

	2018	2017
£0 - £10,000	**4**	7
£10,001 - £20,000	**6**	3
£20,001 - £30,000	**4**	5
£30,001 - £40,000	**7**	8
£40,001 - £50,000	**6**	6
£50,001 - £60,000	**2**	3
£60,001 - £70,000	**4**	2
£70,001 - £80,000	**1**	2
£80,001 - £90,000	**2**	1
£90,001 - £100,000	**-**	1
£100,000 - £110,000	**-**	1
£110,001 - £120,000	**-**	1
£120,001 - £130,000	**2**	-
£130,001 - £140,000	**-**	2
£140,001 - £150,000	**-**	1
£150,001 - £160,000	**1**	-
£160,001 - £170,000	**1**	-

Expenses

The total of expenses paid and reimbursed to Chair, Members and employees for travel and entertainment (including meetings) amounted to £19,464 in the year ended 31 March 2018 (2016/17: £16,822), the increase reflecting additional Members and increased activity due to the redevelopment.

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid officer in their organisation and the median remuneration of the organisation's workforce.

The mid-point of the banded remuneration of the highest-paid officer in the financial year 2017/18 was £170,000 (2016/17: £150,000) this was 4.08 times (2016/17: 3.73) the median remuneration of the workforce, which was £41,709 (2016/17: £40,163).

In 2017/18 nil (2016/17: nil) employees received remuneration in excess of the highest paid officer; remuneration ranged from £17,235 to £161,838 (2016/17: £3,235 to £148,078).

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

The change in the multiple brought about by the change in the salary amounts on both sides of the ratio is due to the amount of bonuses and retention payments paid to staff and to the highest paid officer during 2016/17.

11 Taxation

	Note	**2018 £'000**	2017 £'000
UK Corporation Tax on profits for the year		**11,609**	659
Adjustment to previous year's tax provision		**1,377**	(2,065)
Total current tax charge/(credit)		**12,986**	(1,406)
Deferred tax - utilisation and reversal of timing differences	17	**290**	6
Total deferred tax		**290**	6
Total tax charge/(credit)		**13,276**	(1,400)

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

	2018 £'000	2017 £'000
Tax reconciliation		
Profit before taxation	**115,404**	694
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2016/17: 20%)	**21,927**	139
Tax effects of:		
Expenses not allowable for taxation	**-**	292
Fixed asset differences	**254**	313
Adjustments to tax charges in respect of previous years	**(425)**	(2,065)
Income not taxable for tax purposes	**(12,689)**	(372)
Chargeable gains	**2,425**	-
Restatement for removal of rollover relief	**1,802**	-
Other timing difference	**94**	-
Adjust closing deferred tax to 17% (2016/17: 20%)	**(41)**	-
Deferred tax (charged)/credited directly to equity	**(71)**	291
Total tax charge/(credit) for the year	**13,276**	(1,400)

The UK Government has announced future tax changes to corporation tax rate. These changes resulted in a decrease in the standard rate of corporation tax of 20% for 2016/17 tax years, falling to a rate of 19% for the 2017/18, 2018/19 and 2019/20 tax years and eventually culminating in a rate of 17% by 2020/21. As at 31 March 2018 all such changes have been substantively enacted and have therefore been reflected in the calculation of deferred tax for the year ended 31 March 2018.

12 Property, plant and equipment

	Freehold buildings £'000	Leasehold buildings £'000	Plant, equipment & motor vehicles £'000	Construction in progress £'000	Total £'000
Cost					
At 31 March 2016	13,184	1,442	3,738	-	18,364
Additions	6,069	-	138	14,920	21,127
Disposals	(118)	-	(36)	-	(154)
At 31 March 2017	19,135	1,442	3,840	14,920	39,337
Transfers	11,207	-	-	(11,207)	-
Additions	-	31	273	12,964	13,268
Disposals	(5,903)	-	(857)	-	(6,760)
At 31 March 2018	**24,439**	**1,473**	**3,256**	**16,677**	**45,845**
Depreciation					
At 31 March 2016	9,940	943	2,726	-	13,609
Charge for the year	1,293	113	533	-	1,939
Disposals	(109)	-	(33)	-	(142)
At 31 March 2017	11,124	1,056	3,226	-	15,406
Charge for the year	1,194	111	561	-	1,866
Disposals	(5,659)	-	(851)	-	(6,510)
At 31 March 2018	**6,659**	**1,167**	**2,936**	**-**	**10,762**
Net book value					
At 31 March 2018	**17,780**	**306**	**320**	**16,677**	**35,083**
At 31 March 2017	8,011	386	614	14,920	23,931

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

	2018 £'000	2017 £'000
Total depreciation charge to revenue	**1,866**	1,939
Depreciation charge to capital grant	**(159)**	(160)
	1,707	1,779

Land & Buildings

a Land and buildings were last valued at 31 March 1977 by Knight Frank at a level of £16.1m. On transition to IFRS this amount was treated as being the historical cost of the assets.

The value of land not depreciated is £0.4m (2016/17: £0.4m).

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

c The Development Agreement between CGMA and our development partner, VINCI St. Modwen (VSM), went unconditional during April 2015, enabling work to start on the redevelopment. As part of the redevelopment our existing freehold and leasehold buildings will be replaced over a period of a number of years.

The Development Agreement provides a schedule for delivery of new buildings, coupled with the mechanisms for payment, primarily being the transfer of land surplus to CGMA's requirements for the new Market, to the developer. CGMA was not required to make any payments to the developer until the first transfer of land had been made. During 2017/18 the Authority transferred the Northern site to VSM thereby settling the majority of the amounts due to be delivered in exchange for the new Market. The Development Agreement also contains numerous provisions allowing the timing of the delivery to be altered beyond the control of CGMA.

d During the year development assets with a fair value of £13.0m (2016/17: £4.5m) were capitalised and management estimate that the value of the construction in progress at the year-end was £16.68m (2016/17: £14.9m).

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

	2018 £'000	2017 £'000
Cost	**20,302**	7,675
Accumulated depreciation	**(4,907)**	(7,154)
Net book value	**15,395**	521

13 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	**305**	240
Less: provision for impairment	**(33)**	(87)
Trade receivables, net	**272**	153
Amounts due from Defra	**2,792**	-
Other receivables	**1,080**	1,017
Less: provision for impairment	**(125)**	-
Prepayments	**46**	57
Development partner	**35,607**	-
Other taxation	**-**	165
	39,672	1,392

A provision for impairment of trade receivables is established when there is 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.

As stated in note 1d the Market redevelopment is being recognised as an exchange transaction, with the completed Market being received in exchange for the transfer of surplus land on the existing site. Upon transferring the Northern site, as noted above, the Authority had completed a significant proportion of the land sales required as part of the Development Agreement. To reflect the fact that most of the new Market has been paid for despite the construction still being in progress, £35.6m has been recognised.

	2018 £'000	2017 £'000
Provisions for impairment of trade and other receivables:		
As at 1 April 2018	**87**	99
Impairment losses reversed	**81**	20
Uncollected amounts written off, net of recoveries	**(10)**	(32)
	158	87

As at 31 March 2018, trade receivables of £0.03m were considered to be impaired (2016/17: £0.1m).

As at 31 March 2018, other receivables of £0.1m were considered to be impaired (2016/17: £nil).

As at 31 March 2018 trade receivables of £nil (2016/17: £nil) were past due but not impaired.

As at 31 March 2018 other receivables of £nil (2016/17: £nil) were past due but not impaired.

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

14 Cash and cash equivalents

	2018 £'000	2017 £'000
Bank deposits - sterling	**90,733**	10,571
Cash at bank and in hand - sterling	**8,991**	1,294
	99,724	11,865

Included within cash and cash equivalents is £83.4m in respect of monies held for the benefit of our Development Partner, VSM, in accordance with the Development Agreement. The amounts will be retained by the Authority until the conditions of the Development Agreement have been satisfied. The Authority has recognised a liability of £83.4m to reflect the nature of this arrangement.

See note 19 for further information.

Cash balances of £2.2m (2016/17: £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.

15 Employee retirement benefits

The Authority made payments to a defined contribution Pension Fund which it does not administer of £0.2m (2016/17: £0.2m).

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

The most recent actuarial valuation at 6 April 2015 has been updated for IAS19 purposes as at 31 March 2018.

The scheme ceased the accrual of future benefits with effect from 31 March 2011. However, the salary link for Members who remain in employment with the Authority has been retained. This change has been taken into account in the 31 March 2018 IAS 19 calculation.

The Authority expects to make a contribution of £168,000 to this defined benefit pension plan in the year to 31 March 2018.

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

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

The IAS19 valuation was prepared by David Watson - 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:

	2018	2017
Retail price inflation:	**3.5%**	3.7%
Salary escalation:	**4.5%**	4.7%
Increase to pensions in payment:	**3.4%**	3.6%
Increase in deferment:	**2.5%**	2.7%
Discount rate (pre and post retirement):	**2.5%**	2.5%
Mortality assumptions:		
Life expectancy at 65 at year end:		
Future pensioners - male	**110% PNA00**	110% PNA00
Future pensioners - female	**110% PNA00**	110% PNA00
Current pensioners - male	**110% PNA00**	110% PNA00
	MCMIN 1.5%	MCMIN 1.5%
Current pensioners - female	**110% PNA00**	110% PNA00
	MCMIN 1.5%	MCMIN 1.5%

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the reporting date. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets.

Assumption	Plus	Estimated increase/(decrease) to obligation £'000	Minus	Estimated increase/(decrease) to obligation £'000
Discount rate	0.1%	(118)	0.1%	120
RPI	0.1%	162	0.1%	(160)
CPI	0.1%	9	0.1%	(8)
Salary	0.1%	14	0.1%	(11)
Age of Member	1 year	(353)	1 year	344

The assets and liabilities of the plan are as follows:

	2018 £'000	2017 £'000
Group pension contract	**3,202**	4,673
Present value of plan liabilities	**(5,671)**	(7,639)
Deficit in the plan	**(2,469)**	(2,966)

Analysis of the amounts charged to the income statement:

	2018 £'000	2017 £'000
Interest income related to plan assets	**99**	162
Interest expense on retirement benefit obligations	**(171)**	(209)
	(72)	(47)

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

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

	2018 £'000	2017 £'000
Actual return less expected return on pension scheme assets	(96)	218
Experience gains and losses arising on the scheme liabilities	145	294
Changes in assumptions underlying the present value of the scheme liabilities	371	(2,226)
	420	(1,714)

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

	2018 £'000	2017 £'000
Deficit in scheme at beginning of year	(2,966)	(1,360)
Contributions net of administration charge	149	155
Other finance cost	(72)	(47)
Actuarial profit/(loss)	420	(1,714)
Deficit in scheme at end of year	(2,469)	(2,966)

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

	2018 £'000	2017 £'000
At the start of the year	4,673	4,455
Interest income	99	162
Actuarial (losses)/gains	(96)	218
Employer contributions	168	168
Administration costs (excluding asset management costs)	(20)	(13)
Benefits paid out	(1,622)	(317)
At the end of the year	3,202	4,673

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

	2018 £'000	2017 £'000
At the start of the year	7,639	5,815
Interest cost	171	209
Actuarial (losses)/gains	(517)	1,932
Benefits paid out	(1,622)	(317)
At the end of the year	5,671	7,639

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

	2018	2017	2016	2015	2014
Difference between actual and expected return on scheme assets					
Amount (£'000)	**(96)**	(218)	(388)	160	(199)
Percentage of scheme assets	**(3%)**	(4.7%)	(8.7%)	3.3%	(4%)
Experience gains/(losses) on scheme liabilities:					
Amount (£'000)	**145**	294	376	(68)	(153)
Percentage of the present value of scheme liabilities	**3%**	3.8%	6.4%	(0.9%)	(2.5%)
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	**(420)**	(1,714)	839	(1,006)	(539)
Percentage of the present value of the scheme liabilities	**7%**	22.4%	14.4%	(14%)	(8.7%)
Total assets and liabilities of the scheme:					
Total fair value of scheme assets	**3,202**	4,673	4,455	4,915	4,857
Total present value of scheme liabilities	**5,671**	7,639	5,815	(7,198)	(6,230)

16 Deferred capital government grant

	2018 £'000	2017 £'000
Current portion	**-**	157
	-	157

17 Deferred taxation

	2018 £'000	2017 £'000
Deferred tax assets	**420**	504
Deferred tax liabilities	**(486)**	(209)
	(66)	295

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

	Capital allowances £'000	**Retirement benefit obligations £'000**	**Total £'000**
At 31 March 2016	(235)	245	10
Credited/(charged) to the income statement	26	(32)	(6)
Credited to other comprehensive income	-	291	291
At 31 March 2017	(209)	504	295
(Charged) to the income statement	(277)	(13)	(290)
(Charged) to other comprehensive income	-	(71)	(71)
At 31 March 2018	**(486)**	**420**	**(66)**

18 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	**365**	338
Other tax and social security payable	**229**	65
Accruals and deferred income	**4,070**	4,864
Deposits from tenants	**2,197**	2,040
Development partner - construction costs accrued	**-**	19,383
Development partner - balance held in Development Account	**83,368**	-
Pension contributions	**27**	21
	90,256	26,711

The Members consider that the carrying amount of trade and other payables approximates to their fair value.

19 Cash flow from operating activities

	2018 £'000	2017 £'000
Profit before taxation	**115,404**	694
Net finance income	**(51)**	(9)
Operating profit	**115,353**	685
(Profit)/loss on disposal of fixed assets	**(114,433)**	12
Total depreciation charge	**1,866**	1,939
Net employer contribution after administration cost	**(149)**	(155)
Amortisation of Defra grant	**(157)**	(160)
Operating cash inflow before changes in working capital	**2,480**	2,321
Increase in trade and other receivables	**(2,673)**	(484)
Increase/(decrease) in trade and other payables	**82,928**	(1,146)
Net cash flow from operating activities	**82,735**	691

20 Future expected dividend payment

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

21 Financial instruments

The limited powers of the Authority to borrow or invest surplus funds are set out in the Covent Garden Market Acts 1961 to 1977. As a result, financial instruments play a much more limited role in creating or changing risk than would be typical of companies to which IAS 39 'Financial instruments - recognition and measurement' and IFRS 7 'Financial instruments - disclosures' apply. 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 2018 is as follows:

	2018 Trade and other payables £'000	2017 Trade and other payables £'000
On demand	**87,342**	23,989
Less than 1 month	**1,358**	1,359
1 to 3 months	**563**	654
3 to 6 months	**993**	709

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

	2018 £'000			2017 £'000		
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
Cash	**-**	**8,991**	**8,991**	-	1,294	1,294
Short-term deposits	**88,536**	**2,197**	**90,733**	8,531	2,040	10,571
	88,536	**11,188**	**99,724**	8,531	3,334	11,865

The weighted average interest rate for the fixed rate deposits is 0.33% (2016/17: 0.38%) and the weighted average days until maturity is 124 days (2016/17: 69 days). The short-term deposits are held on call at BBVA at 0.35% (2016/17: 0.39%). Should floating interest rates decrease by 1%, potential profit and equity of the Authority for the year would decrease by £0.123m (2016/17: £0.046m).

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.

See note 14 for more detail.

Other market risks

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

Capital risk management

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

The Authority defines capital as being the Reserve Fund and Retained Earnings. The Authority is not subject to any externally imposed capital requirements apart from the Covent Garden Market Acts 1961 - 1977.

22 Operating lease commitments

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

	2018 £'000	2017 £'000
Within 1 year	**90**	-
Within 2 - 5 years	**800**	-
After 5 years	**1,255**	-

23 Related party transactions

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

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

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

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

At 31 March 2018, all of the grant had been received and expenditure incurred.

See note 1n in respect of a cost of capital charge of £2.0m (2016/17: £2.0m) and associated subsidy of £1.4m (2016/17: £1.5m).

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

During the year the Authority paid dividends to Defra totalling £36.3m (2016/17: £3.3m).

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

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

Related due to other reasons

None.

24 Capital commitments & Contingent Liabilities

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

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

As noted within the Chief Executive's Report to the accounts, it is expected that the overall duration of the project timeline will be extended at VSM's request in order to maintain Market continuity whilst construction work is in progress, this has impacted on the timing of handover of certain assets by the Authority, compared to that originally set out in the Development Agreement. The Authority is confident that a revised programme will be agreed that is acceptable to both parties, such that the provisions and protections within the Development Agreement in relation to these key milestones will not be required to be triggered.

The total contracted expenditure is £140m (2016/17: £140m). And at the year end the total expenditure on development assets and construction in progress incurred was £132m (2016/17: £39m), leaving a remaining commitment of £8m (2016/17: £101m).

There were no other capital commitments authorised or contracted for as at 31 March 2018 (2016/17: nil).

25 Events after the reporting period

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

The Authority's Management Appendix I

The Authority's key staff members as at 31 March 2018 were as follows:

Daniel Tomkinson	Chief Executive Officer
Bob Marlow	Commercial Operations Director
Helen Evans	Business Development & Support Director
Mark Weatherald	Property Director & Project Director
Tony O'Reilly	Project Director
Mark Ewing	Finance Director

Business Development

Alastair Owen	Communications Manager

Finance

Russell Scott	Finance Manager

Operations

Jo Breare	Facilities Manager
Colin Corderoy	Operations Manager

Property

Richard McAuley	Property Manager

Statutory Committees Appendix II

Membership of the Committees during the year was as follows:

Joint Management Advisory Committee: Flowers

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

Joint Management Advisory Committee: Food

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

Market Traffic Advisory Committee

Daniel Tomkinson	Chair, CGMA
Fred Knipe	ex officio
Bob Marlow	CGMA
Archie Robertson	CGMA
Helen Evans	CGMA
Natalie Chapman	Freight Transport Association
Nigel Jenney	Fresh Produce Consortium
Tim Long	London Borough of Camden
Abu Barkatoolah	London Borough of Lambeth
Dave Cook	Metropolitan Police
Ray Engley	Road Haulage Association
Isaac Kwakye	Wandsworth Council
Tim Ward	Transport for London
Debbie McSweeney	Unite
Don Murchie	Westminster City Council

Market Workers' Advisory Committee

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


FLOWER MARKET

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