E20 Stadium LLP

Annual report and financial statements

Registered number OC376732

31 March 2014

Contents

Members report

The Board submits its report together with the audited financial statements of E20 Stadium LLP for the year ended 31 March 2014.

Legal structure

E20 Stadium LLP is incorporated as a limited liability partnership under the Limited Liability Partnerships Act 2000 and is referred to in these financial statements as the "partnership".

The partnership's registered office is Level 10, 1 Stratford Place, Montfichet Road, London, E20 1EJ

Designated members and the Board

The designated members (Limited Liability Partnerships Act 2000) of E20 Stadium LLP during the year were:

- London Legacy Development Corporation - appointed 6 July 2012
- Newham Legacy Investments Limited - appointed 6 July 2012

Principal activities

The partnership has been formally established as the vehicle to deliver the post-Olympic Games transformation and operation of the Stadium. The role of the partnership is to ensure the Stadium is integrated with the surrounding communities; contributes to local regeneration and social improvement aims; and create strong linkages with local sport clubs and educational bodies.

In December 2013, the partnership has entered into a 102 year lease with the London Legacy Development Corporation to transform and operate the Stadium Island Site. It is responsible for the transformation works required for the Rugby World Cup in 2015 and the subsequent use by West Ham United Football Club and UK Athletics.

Financial performance

The partnership was incorporated on 6 July 2012 and did not trade during its first financial year ended on 31 March 2013. The financial year ended on 31 March 2014 is the first year of trading of the partnership.

During the year, £34,4 million was incurred on transforming the Stadium. The Stadium fair value is anticipated to be £60 million once the transformation work is complete in the summer of 2016. Accordingly the partnership has recognised a loss of £25.3 million being impairment of the transformation work to 31 March 2014.

Further information in respect of the impairment measurement can be found in note 4.

Individual members' remuneration

The allocation of profits to those who were individual members of the partnership during the financial year occurs at the discretion of the board. If the board decides after the finalisation of these financial statements that an allocation of profit should take place, the division among the member will be in accordance with the profit sharing ratio as defined in the Members' agreement.

Disclosure of information to auditor

The members who held office at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the partnership's auditor is unaware; and each member has taken all the steps that he ought to have taken as a member to make himself aware of any relevant audit information and to establish that the partnership's auditor is aware of that information.

Members report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young Limited will therefore continue in office.

By order of the board

David Edmonds
Chairman
11 December 2014

Board member
11 December 2014

Statement of members' responsibilities in respect of the Report to the members and the financial statements

The members are responsible for preparing the Report to the members and the partnership's financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) required the members to prepare financial statements for each financial year and under that law the members have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under Regulation 8 of the 2008 Regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period.

In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business

Under Regulation 6 of the 2008 Regulations the members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and enable them to ensure that the financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.

On behalf of the board

David Edmonds
Chairman
11 December 2014

Board member
11 December 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E20 STADIUM COMPANY LIMITED LIABILTIY PARTNERSHIP ('LLP')

We have audited the financial statements of E20 Stadium Company LLP for the year ended 31 March 2014 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 13. 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, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the designated members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Members Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Karl Havers (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
11th December 2014

Income statement
for the year ended 31 March 2014

	Note	2014 £'000
Revenue	2	1,000
Cost of sales		(889)
		111
Other operating expenses	3	(548)
Depreciation and impairment	3	(24,534)
Operating loss		**(24,971)**
Loss for the financial year - attributable to members		**(24,971)**
Total comprehensive loss for the year - attributable to members		**(24,971)**

Statement of financial position
for the year ended 31 March 2014

	Note	2014
Assets		**£'000**
Non-current assets		
Property, plant and equipment	4	9,111
		9,111
Current assets		
Trade and other receivables	5	6,544
Cash and cash equivalents	6	1,268
		7,812
Total assets		**16,923**
Equity and liabilities		
Equity attributable to members, as owners		
Individual members' capital	8	24,149
Other reserves classified as equity		(24,971)
Total equity		**(822)**
Liabilities		
Current liabilities		
Trade and other payables	7	8,284
Amounts due to members	8	9,461
		17,745
Total liabilities		17,745
Total equity and liabilities		**16,923**
Total members' interests		
Individual members' capital		24,149
Other reserves classified as equity		(24,971)
Amounts due to members		9,461
		8,639

Statement of changes in equity
for the year ended 31 March 2014

	Individual members' capital £'000	Members' other reserves £'000
Balance at 1 April 2013	-	-
Capital introduced by members	24,149	-
Repayment of capital	-	-
Members remuneration charges as an expense	-	-
Profits/(losses) for the financial year 2014	-	(24,971)
Members interest after allocation of profit/(losses) for the year	**24,149**	**(24,971)**
Profits allocated to members during the year	-	-
Other transactions with members	-	-
Balance at 1 April 2014	**24,149**	**(24,971)**

Statement of cash flows
for the year ended 31 March 2014

	Note	2014 £'000
Cash flows from operating activities		
Profit for the financial year		**(24,971)**
Adjustments for		
Depreciation and impairment	4	25,269
		298
Increase in trade and other receivables		(6,544)
Increase/(decrease) in trade and other payables		8,284
Increase/(decrease) in amounts due to members		9,461
Cash generated from operations		**11,499**
Net cash flows from operating activities		**11,499**
Cash flows from investing activities		
Acquisition of property, plant and equipment	4	(34,380)
Net cash flows from investing activities		**(34,380)**
Cash flows from financing activities		
Capital introduced by individual members		24,149
Net cash flows from financing activities		**24,149**
Net increase in cash and cash equivalents		1,268
Cash and cash equivalents at the beginning of the year	6	-
Cash and cash equivalents at the end of the year		**1,268**

Notes
(forming part of the financial statements)

1 Accounting policies

E20 Stadium LLP (the "partnership") is a partnership incorporated and domiciled in the UK.

The partnership financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

These financial statements are the first financial statements prepared by the partnership as a trading entity. No comparative figures are presented as the partnership had no trading activity in the previous period.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 13.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the property, plant and equipment are stated at their fair value.

1.2 Property, plant and equipment

Property, plant and equipment are stated at fair value.

Property, plant and equipment are measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in profit or loss..

An external, independent valuer, having an appropriate recognised professional qualification, values the property, plant and equipment every year.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Property, plant and equipment are classified as Assets under Construction during the course of construction.

1.3 Expenses

Operating lease payments

Leases in which the partnership does not assume substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

1.4 Revenues

Revenues associated with the construction or the acquisition of property, plant and equipment to provide customers with separately identifiable services are recognised in accordance with IFRIC 18 by reference to the stage of completion of the transaction when the outcome can be estimated reliably.

Notes *(continued)*

2 Revenue

	2014
	£'000
Customer contribution to property, plant and equipment	1,000
Total revenue	1,000

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2014
	£'000
Fair value adjustment for property, plant and equipment	(25,269)
Other	(547)
	(25,816)

From the total net losses in fair value adjustment of £25.3 million, £0.7 million has been recognised within cost of sales.

For further information in relation with the impairment loss on property, plant and equipment please refers to note 4.

Auditor's remuneration

	2014
	£'000
Audit of these financial statements	15
	15

For the financial year ended 31 March 2013 the company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

Notes *(continued)*

4 Property, plant and equipment

	Assets under construction
	£'000
Balance at 1 April 2013	-
Additions	34,380
Net losses in fair value adjustment	(25,269)
Balance at 31 March 2014	**9,111**

Property, plant and equipment under construction

All assets in the course of construction are related to the transformation work of the Olympic Stadium. The work is expected to be completed by May 2016.

Revaluation

The fair value of property, plant and equipment under construction was determined by external, independent property valuers (Jones Lang LaSalle), having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the partnership's property, plant and equipment portfolio yearly.

All of the property, plant and equipment have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The fair value of the Olympic Stadium after the transformation work was determined by considering what market value a hypothetical purchaser would be willing to pay. This assessment considered the level of income that the Olympic Stadium can generate in excess of operating expenditure, as well as market data of the performance of other European Stadium developments. As at 31 March 2014, the Stadium fair value is expected to be £60 million once the transformation work has been completed in the summer of 2016.

The loss on change of fair value of £ 25.3 million represents the write down of the transformation work of the Olympic Stadium to date. This was recognised in the statement of profit or loss as a separate line within the operating loss. The recoverable amount of £9.1 million as at 31 March 2014 is based on the expected fair value of the Olympic Stadium post-transformation work.

Additional information on the assumptions used to revalue the property, plant and equipment can be found in note 13.

Notes *(continued)*

5 Trade and other receivables

	2014 £'000
Stadium lease prepayment	499
Insurance prepayment	879
Recoverable VAT	5,166
	6,544

Stadium lease prepayment is in relation to the rent premium of £0.5 million paid at the inception of the lease of the stadium. The rent premium will be expensed to the income statement over the term of the lease (102 years) in line with the partnership's accounting policy.

The insurance prepayment is in relation with the insurance of the Stadium during the transformation work. The insurance costs are considered incidental to the transformation of the Stadium and capitalised when due.

The partnership has a balance with HMRC of £5.2 million of recoverable VAT, which will be paid in the first quarter of 2014/15 financial year.

6 Cash and cash equivalents

	2014 £'000
Cash and cash equivalents per balance sheet	1,268
Cash and cash equivalents per cash flow statements	1,268

7 Trade and other payables

	2014 £'000
Current	
Trade payable	7,152
Accruals	1,132
	8,284

Notes *(continued)*

8 Individual members' capital and other interests

The partnership is financed by members' capital. The partnership's capital structure is regularly reviewed to ensure it remains relevant for the business. No distribution is made to members which could prevent the partnership to meet its finance requirements.

a) Individual members' contribution

	£'000
Balance at 1 April 2013	-
Capital introduced by members	24,149
Repayments of capital	-
Balance at 31 March 2014	24,149

b) Other Interests

	2014 £'000
Amounts due from members	
Amounts due to members	9,461
	9,461

9 Financial instruments

The fair values of all financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are disclosed in the table below. This table analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

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

Notes *(continued)*

9 Financial instruments *(continued)*

31 March 2014		Carrying amount £'000		Fair Value £'000	
	Note	Loans and receivables	Total	Level 3	Total
Financial assets					
Trade and other receivables	4	6,544	6,544	6,544	6,544
Cash and cash equivalents	5	1,268	1,268	1,268	1,268
		7,812	7,812	7,812	7,812
Financial Liabilities					
Trade and other payables	6	7,152	7,152	7,152	7,152
		7,152	7,152	7,152	7,152

Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value. Hence, short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Credit risk

Financial risk management

Credit risk is the risk of financial loss to the partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the partnership's receivables from customers and investment securities.

As the partnership has not yet started its trading activity, it had no credit risk exposure during the financial year.

Liquidity risk

Financial risk management

Liquidity risk is the risk that the partnership will not be able to meet its financial obligations as they fall due.

The partnership is reliant on committed funding from its members to meet the anticipated needs of the Partnership for the period covered by the Partnership's budget.

The partnership forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis to calculate the level of funding that will be required in a short or medium term.

Market risk

Financial risk management
The partnership has limited exposure to market risk. The partnership is not exposed to currency fluctuation risk or commodity risk as a result of its operations. The partnership has no exposure to market risk for changes in interest rates as it has no external borrowing.

Notes *(continued)*

10 Operating leases

During the year, the partnership entered in a lease with London Legacy Development Corporation for the lease of the Stadium Island Site, which includes the Olympic Stadium, up to 1 September 2115. Land and buildings have been considered separately for lease classification. The minimum lease payments have been considered to be mostly attached to the land element. For the land element, the partnership does not substantially assume all the risks and rewards of ownership of the leased asset and as such the land is classified as operating lease. The building element is assume to transfer substantially all the risks and rewards and is classified as a finance lease. The partnership has paid an upfront payment of £0.5 million which is recognised in the income statement on straight line basis over the term of the lease. The annual rent is a peppercorn and therefore the partnership has no further non-cancellable operating lease rentals obligation in respect of this lease.

During the year £1,225 was recognised as an expense in the income statement in respect of operating lease costs.

11 Commitments

Capital commitments

During the year ended, the partnership entered into three contracts to undertake the transformation of the Olympic Stadium for £160.5 million *(2012/13: nil)*. These commitments are expected to be settled in the financial year 2014/2015 and 2015/2016.

12 Related parties

Other related party transactions

In December 2013, the partnership entered into an agreement with London Legacy Development Corporation for the lease of the Stadium (see note 10 for more information).

The transformation work on the Stadium is anticipated to cost over £200m.

Under the Membership Agreement, Newham Legacy Investment Limited is committed to finance up to £40m of the transformation cost, with LLDC committed to fund the balance of cost to complete.

Other transactions with the members are presented below:

	Capitalised cost 2014 £'000	**Expense cost 2014 £'000**
Members	8,940	521
	8,940	**521**

	Receivables outstanding 2014 £'000	**Payables outstanding 2014 £'000**
Members	-	9,461
	-	**9,461**

Notes *(continued)*

13 Accounting estimates and judgement

The partnership prepares its consolidated financial statements in accordance with EU-adopted IFRSs, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

The following area is considered to involve a significant degree of judgement or estimation:

Revaluation reviews

Property, plant and equipment are stated at fair value. The Stadium fair value is anticipated to be £60 million after the transformation work is complete. As the Stadium could be used for different purposes, management believes that the Stadium has a fair value at any point in time during the transformation work. However it is not cost effective to obtain a valuation considering alternative uses during the construction phase, and therefore the impairment has been based on the expected transformation costs or budget in excess of the expected post-transformation fair value.

The fair value of the Stadium will represent about 26.5% of the total expenditure. As the exact value of the Stadium during the transformation process is so judgmental, a recognition of the value of the Stadium on a straight line basis as 26.5% of the capital expenditure at each reporting date is therefore applied.

In January 2014, Balfour Beatty was awarded a contract to transform the former Olympic Stadium, which included installing the largest single span cantilever roof in the world, constructing the warm-up track, spectator and hospitality facilities, and external landscaping. Providing adequate support for the new roof has required significantly more strengthening work to the main roof truss, which was originally designed to be taken down after the Games. In addition, further cost increases were agreed arising from a review of contractor's risks and also acceleration of works to meet a revised completion date. In October 2014, the partnership has therefore agreed to increase the value of the Balfour Beatty contract by £35.9m, to cover the full range of cost increases, bringing the total value of the Balfour Beatty contract to £189.9m

Changing the assumption selected by management could significantly affect the partnership's impairment evaluation and results.