

E20 Stadium LLP

Annual report and financial statements

Registered number OC376732

31 March 2017

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Members report

The Board submits its report together with the audited financial statements of E20 Stadium LLP for the year ended 31 March 2017.

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 was 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; creates strong linkages with local sport clubs and educational bodies and delivers a financial return to members on their investment.

The Stadium was permanently opened in summer 2016 following the completion of the transformation and other capital works. It successfully hosted a major music concert, Diamond League athletics, and a series of community events, followed by the commencement of West Ham United Football Club's tenancy at the start of the 2016/17 Premier League season. The Stadium has since played host to near-capacity crowds throughout the football season, confirming its position as the centrepiece of the Queen Elizabeth Olympic Park and as a major London attraction. The Stadium is operated by London Stadium 185 Limited on behalf of E20 and they are delivering further high profile events to the Stadium. The Stadium hosts a series of major concerts in June 2017, followed by the IAAF and IPC World Athletics Championships, London's biggest sporting event since the 2012 Olympics. The Stadium's first full steady-state year will be 2018/19.

Financial performance

During the year, £41.7 million was incurred on transforming the Stadium and on additional works in relation to event readiness and other Stadium enhancements. The Stadium fair value at 31 March 2017 is reduced to nil due to changes in the partnership's financial forecasts, particularly in relation to the cost of hosting West Ham United Football Club and the cost of moving the relocatable seats between pitch (football) and athletics modes. Accordingly the partnership has recognised a loss of £61.5 million being the impairment of the capital works to 31 March 2017 and an adjustment for prior year impairments due to the change in impairment rate. Additional information in respect of the impairment measurement can be found in note 4.

Revenue of £5.9 million was generated in 2016/17, of which approximately £1.7 million relates to operating income derived from the Stadium operator (London Stadium 185) and other tenants. A further £3.9 million relates to customer contributions towards the Stadium's transformation and other capital enhancement costs.

The partnership incurred £10.6 million relating to costs of sales, which includes amounts paid to London Stadium 185 for their operator fees. Also included in the cost of sales is £3.3 million relating to the aforementioned impairment of capital costs. Other operating expenses include professional fees, direct staff costs, general overheads, Member recharges and, in 2016/17, the cost of recognising a provision for onerous contracts. The underlying operating loss for the Stadium (i.e. excluding the provision) was in line with forecasts, due to the start-up costs associated with the early mobilisation phase of the Stadium's legacy use, and because the Stadium opened only part-way through the year.

Members report (continued)

Going concern

Notwithstanding the operational successes of the Stadium during 2016/17, forecasts of the partnership's financial outlook, particularly in relation to the delay in securing a naming rights partner for the Stadium, the cost of West Ham Football Club matches and the cost of moving the relocatable seats between pitch (football) and athletics modes, present significant challenges for the future financial performance of the partnership. This is further reflected by the recognition of a provision for onerous contracts in these financial statements.

As a result, the Members are undertaking a fundamental review of the partnership structure (see Note 17) and its underlying operations and have engaged third parties, including a restructuring specialist, to assist. These workstreams are ongoing at the date of approval of these financial statements and are focussed solely on making the Stadium operationally efficient and financially sustainable in the long-term. In the meantime, the partnership is dependent for its working capital on funds provided by the Members (see Note 1.10).

The circumstances described above represent a material uncertainty that casts significant doubt upon the partnership's ability to continue as a going concern. However, after considering these uncertainties, the Board has a reasonable expectation (based on the conditions described at Note 1.10) that the partnership has adequate resources to continue in operational existence for the foreseeable future, which, in this instance, is limited to a period of less than one year from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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 members is in accordance with 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.

Auditor

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

By order of the Board

Nicky Dunn
Chair

Date: 28 November 2017

Andrew Ireland
Board member

Date: 28 November 2017

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) require 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



Nicky Dunn
Chair

Date: 28 November 2017



Andrew Ireland
Board member

Date: 28 November 2017

Independent auditor's report to the members of E20 Stadium Company Limited Liability Partnership ("LLP")

We have audited the financial statements of E20 Stadium Company LLP for the year ended 31 March 2017 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 17. 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. 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 2017 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.

Material uncertainty related to going concern

We draw attention to Note 1.10 in the financial statements, and the Members' Report, which indicate that forecasts of the partnership's financial outlook present significant challenges for the future funding of operations of the partnership. This is further reflected by the recognition of a significant provision for onerous contracts in the financial statements. The partnership's future funding is dependent on its parent undertakings. That ownership structure is also changing as described in note 17. To date the parent undertakings have not provided sufficient commitment to support the company's working capital requirement for the necessary foreseeable future and are waiting on further progress to have been made in reducing the company's operating cash outflows. As stated in Note 1.10, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of E20 Stadium Company Limited Liability Partnership ("LLP") (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

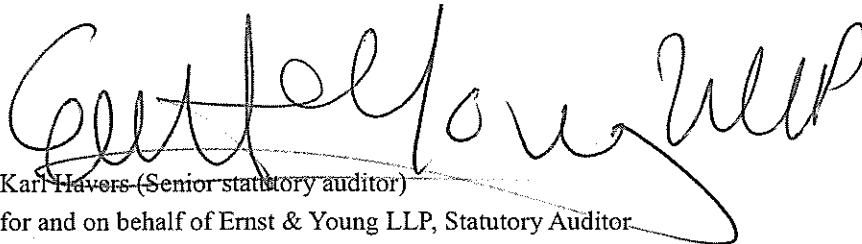
- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 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
- ▶ certain disclosures of directors' remuneration specified by law are not made;
- ▶ 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.



Karl Havers (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor.

London

30 November 2017

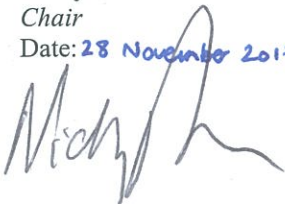
Income statement
for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Revenue	2	5,861	3,870
Cost of sales	3	(10,614)	(7,826)
		(4,754)	(3,955)
Other operating expenses	3	(205,206)	(2,060)
Depreciation and impairment	3	(58,285)	(99,106)
		(268,245)	(105,122)
Operating loss		(268,245)	(105,122)
Loss for the financial year - attributable to members		(268,245)	(105,122)
Total comprehensive loss for the year - attributable to members		(268,245)	(105,122)

Statement of financial position
for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	4	-	19,810
		-	19,810
Current assets			
Trade and other receivables	5	1,503	5,828
Cash and cash equivalents	6	2,808	2
		4,311	5,830
Total assets		4,311	25,640
Equity and liabilities			
Equity attributable to members, as owners			
Individual members' capital	8	-	261,311
Other reserves classified as equity		(214,964)	(254,835)
Total equity		(214,964)	6,476
Liabilities			
Current liabilities			
Trade and other payables	7	3,114	11,995
Provisions	15	19,763	167
Deferred income	7	14,906	1,545
Amounts due to members	8	705	5,457
		38,488	19,164
Non-current liabilities			
Provisions	15	180,787	-
		180,787	-
Total liabilities		219,275	19,164
Total equity and liabilities		4,311	25,640
Total members' interests			
Individual members' capital		-	261,311
Other reserves classified as equity		(214,964)	(254,835)
		(214,964)	6,475
Amounts due to members	12	705	5,457
		(214,258)	11,933

Nicky Dunn
Chair
Date: 28 November 2017



Andrew Ireland
Board member
Date: 28 November 2017



Statement of changes in equity
for the year ended 31 March 2017

	Individual members' capital £'000	Members' other reserves £'000
Balance at 1 April 2015	151,326	(149,713)
Capital introduced by members	109,985	-
Profits/(losses) for the financial year 2016	-	(105,122)
Members interest after allocation of profit/(losses) for the year	261,313	(254,835)
Profits/(losses) allocated to members during the year	-	-
Balance at 31 March 2016	261,313	(254,835)
Balance at 1 April 2016	261,313	(254,835)
Capital introduced by members	46,804	-
Losses for the financial year 2017	-	(268,245)
Members interest after allocation of profit/(losses) for the year	308,116	(523,080)
Profits/(losses) allocated to members during the year	(308,116)	308,116
Balance at 31 March 2017	-	(214,964)

Statement of cash flows
for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss for the financial year		(268,245)	(105,122)
<i>Adjustments for</i>			
Depreciation and impairment	4	<u>61,542</u>	<u>100,748</u>
		(206,704)	(4,374)
(Increase)/decrease in trade and other receivables		3,318	(3,490)
Increase/(decrease) in trade and other payables		202,099	(72)
Increase/(decrease) in amounts due to members		(663)	(1,113)
		<u>(1,949)</u>	<u>(9,049)</u>
Cash generated from operations		(1,949)	(9,049)
		<u>(1,949)</u>	<u>(9,049)</u>
Net cash flows from operating activities			
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(41,731)	(96,172)
(Increase)/decrease in receivables from investing activities		1,006	8,188
Increase/(decrease) in payables from investing activities		(10,596)	(4,751)
Increase/(decrease) in amounts due to members from investing activities		(4,089)	(10,911)
Increase/(decrease) in deferred income and provisions		<u>13,361</u>	<u>1,712</u>
Net cash flows from investing activities		(42,049)	(101,934)
Cash flows from financing activities			
Capital introduced by individual members		46,804	109,985
		<u>46,804</u>	<u>109,985</u>
Net cash flows from financing activities		46,804	109,985
Net increase/(decrease) in cash and cash equivalents		2,806	(998)
Cash and cash equivalents at the beginning of the year	6	2	1,000
		<u>2,808</u>	<u>2</u>
Cash and cash equivalents at the end of the year		2,808	2

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”).

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.

Depreciation is not being charged on the Stadium asset whilst it is revalued on an annual basis.

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.

Revenues generated from the organisation of events are recorded as deferred income until the event occurs.

Revenues from the Stadium operator are recognised at the point the partnership becomes contractually obliged to those revenues.

Revenues generated from other sources (such as recharges) are recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

Notes (continued)

1.5 Taxation

Taxation on all partnership profits is solely the liability of members. Consequently neither taxation nor related deferred taxation arising in respect of the partnership are accounted for in these financial statements.

1.6 Financial instruments

Trade and other receivables

Trade and other receivables due in less than 12 months are recognised at their nominal amount less impairment losses. Subsequent to initial recognition, trade and other receivables are valued at amortised cost less impairment losses.

Cash and cash equivalent

The cash and cash equivalents are stated at their nominal values, as this approximates to amortised cost.

Trade and other payables

Trade and other payables are initially recognised at fair value, based upon the nominal amount outstanding. Subsequent to initial recognition, they are recorded at amortised cost.

1.7 Provisions

A provision is recognised when the partnership has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle its obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money.

A provision is also recognised when the partnership is deemed to have a contract that is onerous as defined by IAS 37.

1.8 Allocations of profit or loss

The allocation of losses to those who were 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 loss should take place, the division among the members of the losses linked to an impairment of the assets of the partnership will be in accordance with the Members' Agreement. The allocation of losses not linked to the impairment of the assets will be at the discretion of the Board.

Unallocated profits or losses are shown in equity as "Other reserves".

1.9 Members' contributions

Contributions made by members of the partnership are recognised in the accounts at the point a sales invoice is presented for payment or cash settlement of the invoice is received, whichever is later.

1.10 Going Concern

The Greater London Authority (GLA), through LLDC, is currently supporting E20 Stadium LLP, and has made no decision not to continue to do so. However, in the absence of agreement by other parties to significant changes to current contractual arrangements it is not prepared currently to undertake to support the partnership for the minimum period of 12 months from the date these financial statements are authorised for issue. The directors expect that it will be possible to either agree the appropriate cashflow funding or secure such contractual changes and that on this basis further support will be provided by the GLA to allow the LLP to continue to operate as a going concern. For these reasons the directors have concluded that it is appropriate to prepare the accounts on a going concern basis. However, the need to obtain further support from the GLA constitutes a material uncertainty which casts doubt on the partnership's ability to continue as a going concern.

Notes (continued)

2 Revenue

	2017	2016
	£'000	£'000
Customer contributions to property, plant and equipment	3,875	155
Operating income	1,751	3,487
Other recharges	168	228
Other	<u>67</u>	<u>-</u>
Total revenue	<u>5,861</u>	<u>3,870</u>

Customer contributions to property, plant and equipment includes £3.4m from the London Marathon Trust towards the cost of the Stadium community track; as the track is now operational the contribution is recognised in full.

Within operating income is £1.2m in fees received from West Ham United Football Club for their use of the Stadium during August 2016 to March 2017; these fees are subsequently passed on to the Stadium operator, London Stadium 185, by E20 Stadium LLP as reflected within 'cost of sales - other' (see note 3). In 2015/16 operating income was derived from events and programmes organised by London Stadium 185 and E20 Stadium LLP directly – these events included five matches in the 2015 Rugby World Cup and the London Diamond League athletics.

3 Cost of sales, expenses and auditor's remuneration

	2017	2016
	£'000	£'000
Cost of sales:		
- Impairment of customer contributions to property, plant and equipment	(3,256)	(1,641)
- Other	(7,360)	(6,185)
Impairment of property, plant and equipment	(58,285)	(99,106)
Other operating expenses	(205,206)	(2,060)
	<u>(274,106)</u>	<u>(108,992)</u>

A proportion of the impairment loss on property, plant and equipment has been recognised in cost of sales. For further information please refer to note 4. Other cost of sales includes amounts paid to London Stadium 185 for their operator fees and fees received from West Ham United Football Club. Other operating expenses include professional fees, direct staff costs, general overheads and member recharges and, in 2016/17, the provision for onerous contracts – see note 15 for further information.

Auditor's remuneration

	2017	2016
	£'000	£'000
Audit of the financial statements	(26)	(35)
	<u>(26)</u>	<u>(35)</u>

Notes *(continued)*

4 Property, plant and equipment

	Assets under construction	Stadium	Total
	£'000	£'000	£'000
Balance at 1 April 2015	24,386	-	24,386
Additions	96,172	-	96,172
Net losses in fair value adjustment	(100,748)	-	(100,748)
Balance at 31 March 2016	19,810	-	19,810
Balance at 1 April 2016	19,810	-	19,810
Additions	41,732	-	41,732
Reclassification	(61,542)	61,542	0
Net losses in fair value adjustment	-	(61,542)	(61,542)
Balance at 31 March 2017	-	-	-

Property, plant and equipment

A significant milestone in the London Stadium's history was reached this year when the works to transform it from its Olympic form to a multi-use arena were completed and the Stadium was handed over to its operator, London Stadium 185, a subsidiary of Vinci Stadium.

The transformation work of the Stadium and other Stadium enhancements were substantially complete by 13 July 2016 under the Balfour Beatty contract. Capital costs continued to be incurred beyond that date in relation to the relocatable seating and residual works by Balfour Beatty. Accordingly, the asset has been reclassified during the year from being under construction to the 'Stadium' asset.

Revaluation

The fair value of the Stadium was determined by external, independent property valuers (GL Hearn Limited), having appropriate recognised professional qualifications. The independent valuers provide the fair value of the partnership's property, plant and equipment portfolio annually.

The fair value of the Stadium was determined by considering what market value a hypothetical purchaser would be willing to pay. This assessment considered the level of income that the Stadium can generate in excess of operating expenditure, as well as market data of the performance of other European Stadium developments. Accordingly all of the property, plant and equipment have been categorised as a Level 3 fair value (see Note 9 for definition) based on the inputs to the valuation technique used.

Forecasts of the partnership's financial outlook, particularly in relation to the cost of hosting West Ham and the cost of moving the relocatable seats between pitch (football) and athletics modes, has resulted in the fair value of the Stadium as at 31 March 2017 to be nil; accordingly the value of the capital works on the Stadium up to 31 March 2017 are impaired in the partnership's accounts. As the valuation is based upon the partnership's business plan forecasts this carries an element of uncertainty and changes to business plan assumptions could result in a material adjustment to the Stadium's valuation in the coming years.

The loss on change of fair value of £61.5 million represents the write down of the total capital work of the Stadium to date (including an adjustment to recognise the impact of the change in impairment rate on prior year write-downs). £3.3 million was recognised in the statement of profit or loss in cost of sales (relating to customer contributions to property, plant and equipment) and £58.3 million was recognised as a separate line within the operating loss.

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

	2016	2015
	£'000	£'000
Stadium lease prepayment	484	489
Insurance prepayment	-	465
Recoverable VAT	-	1,845
Trade debtors	893	1,955
Other debtors	<u>125</u>	<u>1,074</u>
	<u>1,503</u>	<u>5,827</u>

The 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 policies.

Trade debtors consist mainly of balances owed by West Ham United Football Club and London Stadium 195 Limited.

6 Cash and cash equivalents

	2017	2016
	£'000	£'000
Cash and cash equivalents per the balance sheet	2,808	2
Cash and cash equivalents per the cash flow statements	<u>2,808</u>	<u>2</u>

7 Current liabilities

	2017	2016
	£'000	£'000
Current		
Trade payables	355	63
Accruals	2,758	11,932
Deferred income	14,906	1,545
Provisions	<u>19,763</u>	<u>167</u>
	<u>37,783</u>	<u>13,707</u>

Deferred income of £14.9 million relates mainly to the one-off usage fee from West Ham United Football Club paid during 2016/17. This will be recognised in the income statement over the lifetime of the concession agreement.

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 that could prevent the partnership meeting its financial requirements.

	£'000
Balance at 1 April 2015	151,326
Capital introduced by members	109,985
Repayments of capital	-
Profits/(losses) allocated to members during the year	-
Balance at 31 March 2016	261,311
Balance at 1 April 2016	261,311
Capital introduced by members	61,804
Repayments of capital	(15,000)
Profits/(losses) allocated to members during the year	(308,116)
Balance at 31 March 2017	-

The £15.0 million repayment of capital during the year was to repay funding provided by London Legacy Development Corporation towards transformation and other capital enhancement costs.

Amounts due to members are related to recharges of costs from the members in relation to the transformation work or support services.

	2017	2016
	£'000	£'000
Newham Legacy Investments Limited	-	-
London Legacy Development Corporation	705	5,457
Total amounts due to members	705	5,457

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 2017	Carrying amount		Fair Value	
		Note	£'000 Loans and receivables	Total	Level 3
Financial assets					
Trade and other receivables	5	893	893	893	893
Cash and cash equivalents	6	2,808	2,808	2,808	2,808
		3,701	3,701	3,701	3,701
Financial Liabilities					
Trade and other payables	7	14	14	14	14
		14	14	14	14

	31 March 2016	Carrying amount		Fair Value	
		Note	£'000 Loans and receivables	Total	Level 3
Financial assets					
Trade and other receivables	5	1,955	1,955	1,955	1,955
Cash and cash equivalents	6	2	2	2	2
		1,957	1,957	1,957	1,957
Financial Liabilities					
Trade and other payables	7	63	63	63	63
		63	63	63	63

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.

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.

Notes *(continued)*

Financial instruments *(continued)*

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.

10 Operating leases

The partnership has a lease with London Legacy Development Corporation for the Stadium Island site, which includes the 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 assumed 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 £4,900 was recognised as an expense in the income statement in respect of operating lease costs.

11 Commitments

Capital commitments

At the year ended 31 March 2017, the partnership had commitments to pay of £0.7 million (2015/16: £24.2 million). These commitments are expected to be settled in the financial year 2017/18.

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 cost of the Stadium transformation scope (as defined by the Members' agreement) and other enhancements is funded mainly by the partnership members.

Under the Membership Agreement, Newham Legacy Investments Limited financed £40 million of the transformation cost. Other third parties, including the London Marathon Trust, contributed £19.0 million, and the London Legacy Development Corporation funded the balance backed by the Greater London Authority, and including agreed contributions of funding from central government.

Both members have also contributed working capital during 2016/17 to assist the partnership in its early stages of operation.

Notes (continued)

Related parties (continued)

Other transactions with the members are presented as follows:

	Capitalised cost 2017 £'000	Expense cost 2017 £'000
Members	-	649
	<hr/> -	<hr/> 649

	Receivables outstanding 2017 £'000	Payables outstanding 2017 £'000
Members	-	705
	<hr/> -	<hr/> 705

	Capitalised cost 2016 £'000	Expense cost 2016 £'000
Members	4,122	2,123
	<hr/> 4,122	<hr/> 2,123

	Receivables outstanding 2016 £'000	Payables outstanding 2016 £'000
Members	2,111	5,456
	<hr/> 2,111	<hr/> 5,456

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

The fair value of the Stadium was determined by external, independent property valuers (GL Hearn Limited), having appropriate recognised professional qualifications. The independent valuers provide the fair value of the partnership's property, plant and equipment portfolio annually.

The fair value of the Stadium was determined by considering what market value a hypothetical purchaser would be willing to pay. This assessment considered the level of income that the Stadium can generate in excess of operating expenditure, as well as market data of the performance of other European Stadium developments. Accordingly all of the property, plant and equipment have been categorised as a Level 3 fair value (see Note 9 for definition) based on the inputs to the valuation technique used.

Notes (continued)

Accounting estimates and judgement (continued)

Forecasts of the partnership's financial outlook, particularly in relation to the cost of hosting West Ham and the cost of moving the relocatable seats between pitch (football) and athletics modes, have resulted in the fair value of the Stadium as at 31 March 2017 to be nil; accordingly the value of the capital works on the Stadium are impaired in the partnership's draft accounts. As the valuation is based upon the partnership's business plan forecasts this carries an element of uncertainty and changes to business plan assumptions could result in a material adjustment to the Stadium's valuation in the coming years. Changing the assumptions selected by management could significantly affect the partnership's impairment evaluation and results.

Provisions (onerous contracts)

Similar to the Stadium valuation, the onerous contracts provision (see note 15) is calculated based upon E20 Stadium's latest forecasts and therefore contains a number of assumptions and estimates that are subject to change. Changing the assumptions selected by management could significantly affect the partnership's provision evaluation and results.

14 Service concession agreements

The partnership entered into a 25-year service concession arrangement with London Stadium 185 Limited (a subsidiary of Vinci Stadium) on 30 January 2015. The agreement relates to the operation of the Stadium and South Park within the Queen Elizabeth Olympic Park and grants the operator sole and exclusive rights to promote, sell and manage events in the Stadium and South Park. Under the agreement the partnership makes defined payments to the operator, including a quarterly fixed-fee; the operator pays to the partnership net commercial revenues depending upon their performance according to the agreement. The partnership retains liability for the structure of the Stadium and in particular lifecycle costs. The agreement may be terminated by either party after 20 years by giving not less than 3 years' notice.

15 Provisions

	Current	Non-current	Total
	£'000	£'000	£'000
As at 1 April	(166)	-	(166)
Additional provisions in the year	(19,763)	(180,787)	(200,550)
Utilised in the year	166	-	166
Balance at 31 March	(19,763)	(180,787)	(200,550)

A significant milestone in the London Stadium's history was reached this year when the works to transform it from its Olympic form to a multi-use arena were completed and the Stadium was handed over to its operator, London Stadium 185, a subsidiary of Vinci Stadium. Since then there have been a number of notable successes in its operations, for example a major concert (AC/DC), Diamond League athletics and hosting West Ham Football Club's first season playing Premier League football in the Stadium.

However, despite these successes, forecasts of the partnership's financial outlook, particularly in relation to the cost of hosting West Ham and the cost of moving the relocatable seats between pitch (football) and athletics modes, has required an assessment of whether any of its contracts are now deemed to be onerous (loss-making). An assessment of its main contracts (in line with IAS 37) has concluded that two of these are deemed to be onerous – the West Ham concession agreement and UK Athletics access agreement. Consequently, E20 Stadium LLP is recognising a provision for these losses, adversely impacting its reported position for the year. The provision is calculated based upon E20 Stadium's latest forecasts and therefore contains a number of assumptions and estimates that are subject to change.

E20 Stadium LLP is also recognising a provision relating to contractual claims by the Stadium operator, London Stadium 185 Limited. The outcomes of these claims are expected to be known in the 2017/18 financial year and will likely involve an outflow of economic benefits from E20 Stadium LLP, currently estimated to be up to £0.6m.

16 Contingent liabilities

E20 Stadium LLP has a number of possible obligations arising from claims and litigation by third parties, including West Ham United Football Club. The existence of these obligations will be confirmed only by the occurrence (or non-occurrence) of one or more future events not wholly within the control of E20 Stadium LLP. Due to their nature, the amount of these obligations cannot be measured with sufficient reliability and their timing is uncertain due to the involvement of legal proceedings and other commercial discussions.

17 Events after the reporting date

As described in the Members Report, the partnership faces significant operational and financial challenges for both its current and future performance and has therefore reviewed the business overall, including the partnership structure.

As a result, Members have now reached an agreement in principle that Newham Legacy Investments Limited will retire from the partnership with immediate effect on or shortly after the date these financial statements are authorised for issue. London Legacy Development Corporation will remain as sole Member in the partnership until the future governance and management options for E20 Stadium LLP have been considered. Work on restructuring the business will continue with the aim of securing the operational and financial future of the Stadium.

The retirement of Newham Legacy Investments Limited does not affect the amounts recognised in these financial statements; therefore no adjustments have been made.