

**E20 Stadium LLP**

Annual report and financial statements

Registered number OC376732

31 March 2018

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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 2018.

### **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 (LLDC) – appointed 6 July 2012
- Newham Legacy Investments Limited – appointed 6 July 2012 (ended 30 November 2017)
- Stratford East London Holdings Limited – appointed 1 December 2017

### **Principal activities**

The partnership was formally established as the vehicle to deliver the post-Olympic Games transformation and operation of the London 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 minimises the subsidy required from public funds.

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. In 2017/18, the Stadium hosted the IAAF World Athletics and Para Athletics Championships, London's biggest sporting event since the 2012 Olympics, 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 Stadium LLP and they are delivering further high-profile events to the Stadium, including a series of major concerts in 2018/19.

### **Financial performance**

During the year, £3.0 million was incurred on Stadium capital works in relation to residual Transformation works and other Stadium enhancements. The Stadium fair value at 31 March 2018 is held at nil due to 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 £3.0 million being the impairment of the capital works to 31 March 2018. Additional information in respect of the impairment measurement can be found in note 4.

Revenue of £9.5 million was generated in 2017/18, of which approximately £5.4 million relates to operating income derived from the Stadium operator (London Stadium 185) and other tenants.

The partnership incurred £21.4 million relating to costs of sales, which includes amounts paid to London Stadium 185 for their operator fees and costs associated with moving the relocatable seating between pitch (football) and athletics mode. Other operating expenses include professional fees, direct staff costs, general overheads and Member recharges. The underlying operating loss for the Stadium was in line with forecasts.

## **Members' report** *(continued)*

### **Going concern**

Forecasts of the partnership's financial outlook, particularly in relation to the cost of West Ham Football Club matches, the cost of moving the relocatable seats between football and athletics modes and lower than anticipated net commercial revenues (including Stadium naming rights) continue to present significant challenges for the future financial performance of the Stadium given the current contractual matrix. Accordingly, the provision for onerous contracts recognised in the 2016/17 financial statements continues to be recognised at 31 March 2018.

On 30 November 2017, following a review of the E20 Stadium LLP governance structure, Newham Legacy Investments Limited retired from the partnership and, from 1 December 2017, was replaced by Stratford East London Holdings Limited, a wholly owned subsidiary of LLDC.

A restructuring plan was presented to, and approved by, the E20 Stadium LLP Board after the reporting date (31 March 2018), but before these accounts were authorised for issue. The restructuring plan is focussed solely on making the Stadium operationally efficient and financially sustainable in the long-term; implementation of the plan will require significant changes to current contractual arrangements, which could take time to achieve and is not without risk. In the meantime, the partnership is dependent for its working capital on loan funding provided by LLDC (see Note 1.10). That committed funding is currently limited to a period of a less than one year (until 30 September 2018); the provision of further funding is subject to E20 Stadium LLP demonstrating to LLDC and the Greater London Authority satisfactory progress against the agreed restructuring plan.

The Directors have an expectation based on progress made to date and discussions with LLDC and the Greater London Authority that it is highly likely that further funding will be made available to support with this process until at least March 2019 and beyond. 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. Should this expected funding be received, the partnership would have adequate resources to continue in operational existence for a period of at least 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: 27 July 2018

## **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: 27 July 2018

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

### **Opinion**

We have audited the financial statements of E20 Stadium Company LLP for the year ended 31<sup>st</sup> March 2018 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.

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<sup>st</sup> March 2018 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with IFRS 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.

### **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 below. We are independent of the limited liability partnership 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.

### **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. The partnership is dependent on funding provided by the Greater London Authority through London Legacy Development Corporation. To date, funding is only committed to the end of September 2018. As stated in note 1.10, these events or conditions, along with the other matters as set forth in note 1.10, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

The other information comprises the information included in the annual report set out on pages 1 and 2, 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 the 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 in relation to which 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.

### **Responsibilities of members**

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, 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 partnership'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 partnership 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Karl Havers (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
30 July 2018

Notes:

1. The maintenance and integrity of the London Legacy Development Corporation web site is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Income statement**  
*for the year ended 31 March 2018*

	Note	2018 £'000	2017 £'000
Revenue	2	9,582	5,861
Cost of sales	3	(21,384)	(10,614)
		<hr/> <b>(11,803)</b>	<hr/> <b>(4,754)</b>
Other operating expenses	3	(8,003)	(205,206)
Depreciation and impairment	3	(2,950)	(58,285)
<b>Operating loss</b>		<hr/> <b>(22,756)</b>	<hr/> <b>(268,245)</b>
<b>Loss for the financial year - attributable to members</b>		<hr/> <b>(22,756)</b>	<hr/> <b>(268,245)</b>
<b>Total comprehensive loss for the year - attributable to members</b>		<hr/> <b>(22,756)</b>	<hr/> <b>(268,245)</b>

**Statement of financial position**  
*for the year ended 31 March 2018*

	Note	2018 £'000	2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	<u>-</u>	<u>-</u>
		-	-
<b>Current assets</b>			
Trade and other receivables	5	2,601	1,503
Cash and cash equivalents	6	<u>2,017</u>	<u>2,808</u>
		4,618	4,311
<b>Total assets</b>		<b><u>4,618</u></b>	<b><u>4,311</u></b>
<b>Equity and liabilities</b>			
<b>Equity attributable to members, as owners</b>			
Individual members' capital	8	-	-
Other reserves classified as equity		<u>(230,223)</u>	<u>(214,964)</u>
<b>Total equity</b>		<b><u>(230,223)</u></b>	<b><u>(214,964)</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7	1,904	3,114
Provisions	15	16,957	19,763
Deferred income	7	14,797	14,906
Amounts due to members	8	<u>1,297</u>	<u>705</u>
		34,956	38,488
<b>Non-current liabilities</b>			
Provisions	15	185,436	180,787
Long Term Borrowings	8	<u>14,449</u>	<u>-</u>
		199,885	180,787
<b>Total liabilities</b>		<u>234,841</u>	<u>219,274</u>
<b>Total equity and liabilities</b>		<b><u>4,618</u></b>	<b><u>4,311</u></b>
<b>Total members' interests</b>			
Individual members' capital		-	-
Other reserves classified as equity		<u>(230,223)</u>	<u>(214,964)</u>
		(230,223)	(214,964)
Amounts due to members	12	1,297	705
		<u>(228,925)</u>	<u>(214,258)</u>

**Nicky Dunn**  
*Chair*  
Date: 27 July 2018

**Statement of changes in equity**  
*for the year ended 31 March 2018*

	Note	Individual members' capital £'000	Members' other reserves £'000
<b>Balance at 1 April 2016</b>		<b>261,313</b>	<b>(254,835)</b>
Capital introduced by members		46,804	-
Profits/(losses) for the financial year 2016		-	(268,245)
<b>Members interest after allocation of profit/(losses) for the year</b>		<b>308,116</b>	<b>(523,080)</b>
Profits/(losses) allocated to members during the year		(308,116)	308,116
<b>Balance at 31 March 2017</b>		<b>-</b>	<b>(214,964)</b>
<b>Balance at 1 April 2017</b>		<b>-</b>	<b>(214,964)</b>
Capital introduced by members	8	7,497	-
Losses for the financial year 2017		-	(22,756)
<b>Members interest after allocation of profit/(losses) for the year</b>		<b>7,497</b>	<b>(237,720)</b>
Profits/(losses) allocated to members during the year	8	(7,497)	7,497
<b>Balance at 31 March 2018</b>		<b>-</b>	<b>(230,223)</b>

**Statement of cash flows**  
*for the year ended 31 March 2018*

	Note	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Loss for the financial year		(22,756)	(268,245)
<i>Adjustments for</i>			
Depreciation and impairment	4	2,950	61,542
		<b>(19,806)</b>	<b>(206,704)</b>
(Increase)/decrease in trade and other receivables		(1,066)	3,318
Increase/(decrease) in trade and other payables		1,230	202,099
Increase/(decrease) in amounts due to members		570	(663)
		<b>(19,072)</b>	<b>(1,949)</b>
<b>Cash generated from operations</b>		<b>(19,072)</b>	<b>(1,949)</b>
<b>Net cash flows from operating activities</b>		<b>(19,072)</b>	<b>(1,949)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	4	(2,950)	(41,731)
(Increase)/decrease in receivables from investing activities		(32)	1,006
Increase/(decrease) in payables from investing activities		(597)	(10,596)
Increase/(decrease) in amounts due to members from investing activities		23	(4,089)
Increase/(decrease) in deferred income and provisions		(109)	13,361
		<b>(3,665)</b>	<b>(42,049)</b>
<b>Net cash flows from investing activities</b>		<b>(3,665)</b>	<b>(42,049)</b>
<b>Cash flows from financing activities</b>			
Capital introduced by individual members		7,497	46,804
Increase/(decrease in borrowing)		14,449	-
		<b>21,946</b>	<b>46,804</b>
<b>Net cash flows from financing activities</b>		<b>21,946</b>	<b>46,804</b>
Net increase/(decrease) in cash and cash equivalents		(791)	2,806
Cash and cash equivalents at the beginning of the year	6	2,808	2
		<b>2,017</b>	<b>2,808</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>2,017</b>	<b>2,808</b>

## **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. 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 show progress in securing 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; the period considered by the Board, in this instance, is 12 months from the date these financial statements are authorised for issue.

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**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Customer contributions to property, plant and equipment	-	3,875
Operating income	5,718	1,751
Other recharges	3,848	168
Other	16	67
Total revenue	9,582	5,861

Within operating income is £2.5m in fees received from West Ham United Football Club for their use of the Stadium during the 2017/18 financial year; 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). Also in operating income are net commercial revenues received from London Stadium 185. Other recharges includes income from a settlement with one of the partnership's former suppliers.

Customer contributions to property, plant and equipment in 2016/17 included £3.4m from the London Marathon Trust towards the cost of the Stadium community track.

**3 Cost of sales, expenses and auditor's remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Cost of sales:		
- Impairment of customer contributions to property, plant and equipment	-	(3,256)
- Other	(21,385)	(7,360)
Impairment of property, plant and equipment	(2,950)	(58,285)
Other operating expenses	(8,003)	(205,206)
	(32,338)	(274,106)

Cost of sales includes amounts paid to London Stadium 185 for their operator fees and fees received from West Ham United Football Club. In 2017/18, it also includes costs associated with moving the relocatable seating between pitch (football) and athletics mode.

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*

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Audit of the financial statements	(45)	(26)
	(45)	(26)

**Notes** *(continued)*

**4 Property, plant and equipment**

	<b>Assets under construction</b>	<b>Stadium</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2016	<b>19,810</b>	-	<b>19,810</b>
Additions	41,732	-	41,732
Reclassification	(61,542)	61,542	0
Net losses in fair value adjustment	-	(61,542)	(61,542)
<b>Balance at 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance at 1 April 2017	-	-	-
Additions	-	2,950	2,950
Net losses in fair value adjustment	-	(2,950)	(2,950)
<b>Balance at 31 March 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Property, plant and equipment*

A significant milestone in the London Stadium's history was reached in 2016/17 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 completed by 13 July 2016 under the Balfour Beatty contract. Capital costs have continued to be incurred beyond that date in relation to residual transformation works and other Stadium enhancements.

*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 2018 to be nil (31 March 2017: nil); accordingly, the value of the capital works on the Stadium up to 31 March 2018 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 £3.0 million (2016/17: £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). The impairment is recognised in the Income Statement.

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**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Stadium lease prepayment	479	484
Trade debtors	2,094	893
Other debtors	27	125
	<u>2,601</u>	<u>1,502</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 London Stadium 195 Limited and West Ham United Football Club.

**6 Cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Cash held in bank accounts	2,017	2,808
	<u>2,017</u>	<u>2,808</u>
Cash and cash equivalents per the cash flow statements	<u>2,017</u>	<u>2,808</u>

**7 Current liabilities**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current</b>		
Trade payables	864	355
Accruals	1,040	2,758
Deferred income	14,797	14,906
Provisions	16,957	19,763
	<u>33,658</u>	<u>37,783</u>

Deferred income of £14.8 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 mainly 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.

On 30 November 2017, Newham Legacy Investments Limited retired from the partnership and was replaced by Stratford East London Holdings Limited, a wholly owned subsidiary of LLDC. Newham Legacy Investments Limited did not withdraw any capital contributions upon their retirement; furthermore, no capital contributions were made by Stratford East London Holdings Limited during the year.

	<b>£'000</b>
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)
<b>Balance at 31 March 2017</b>	<b>-</b>
Balance at 1 April 2017	-
Capital introduced by members	7,497
Repayments of capital	
Profits/(losses) allocated to members during the year	(7,497)
<b>Balance at 31 March 2018</b>	<b>-</b>

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Newham Legacy Investments Limited	-	-
London Legacy Development Corporation	15,746	705
Total amounts due to members	15,746	705

Within the amounts due to London Legacy Development Corporation is £14.4m of loan funding provided by the Corporation during 2017/18 (including accrued interest).

### 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 2018		Carrying amount		Fair Value	
		£'000		£'000	
		Loans and			
Note		receivables	Total	Level 3	Total
<b>Financial assets</b>					
Trade and other receivables	5	2,094	2,094	2,094	2,094
Cash and cash equivalents	6	2,017	2,017	2,017	2,017
		4,111	4,111	4,111	4,111
<b>Financial Liabilities</b>					
		14,97			
Trade and other payables	7	14,972	2	14,972	2
		14,97		14,97	
		14,972	2	14,972	2

31 March 2017		Carrying amount		Fair Value	
		£'000		£'000	
		Loans and			
Note		receivables	Total	Level 3	Total
<b>Financial assets</b>					
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
<b>Financial Liabilities</b>					
		14			
Trade and other payables	7	14	14	14	14
		14		14	
		14	14	14	14

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 (2016/17: £0.7 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 were funded mainly by the partnership members.

Under the previous Membership Agreement<sup>1</sup>, 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 LLDC and Newham Legacy Investments Limited have also provided funding during 2017/18 towards the partnership's working capital requirements. London Legacy Development Corporation also provided £14.0m of loan funding to the partnership during 2017/18 (balance as at 31 March 2018 is £14.4m including accrued interest).

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<sup>1</sup> Ended 30 November 2017

## Notes (continued)

### Related parties (continued)

Other transactions with the members are presented as follows:

	<b>Capitalised cost 2018</b>	<b>Expense cost 2018</b>
	<b>£'000</b>	<b>£'000</b>
Members	-	2,979
	<hr/>	<hr/>
	<b>-</b>	<b>2,979</b>

	<b>Receivables outstanding</b>	<b>Payables outstanding</b>
	<b>2018</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Members	32	15,746
	<hr/>	<hr/>
	<b>32</b>	<b>15,746</b>

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

	<b>Receivables outstanding</b>	<b>Payables outstanding</b>
	<b>2017</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Members	-	(1)
	<hr/>	<hr/>
	<b>-</b>	<b>(1)</b>

### 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 2018 to be nil (31 March 2017: 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

	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 April	(19,763)	(180,787)	(200,550)
Additional provisions in the year	(16,403)	(4,649)	(21,052)
Utilised in the year	19,213	-	19,213
<b>Balance at 31 March</b>	<b>(16,953)</b>	<b>(185,436)</b>	<b>(202,389)</b>

A significant milestone in the London Stadium's history was reached in 2016/17 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 the Stadium has 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. In 2017/18, the Stadium hosted the World Athletics and Para Athletics Championships, London's biggest sporting event since the 2012 Olympics, confirming its position as the centrepiece of the Queen Elizabeth Olympic Park and as a major London attraction.

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) in 2016/17 concluded that two of these are deemed to be onerous – the West Ham concession agreement and UK Athletics access agreement. Consequently, E20 Stadium LLP recognised a provision for these losses, adversely impacting its reported position for the year. The provision was 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 has reviewed the provision again in 2017/18 and concluded that, based on current financial forecasts, the provision should remain at the same level as in 2016/17. The table above shows the movement in the provision, which comprises of utilisation in year and additional amounts provided to reflect the latest business plan.

E20 Stadium LLP is also recognising a provision relating to contractual claims by the Stadium operator, London Stadium 185 Limited and West Ham United Football Club. The outcomes of these claims are expected to be

known in the 2018/19 financial year and will likely involve an outflow of economic benefits from E20 Stadium LLP, currently estimated to be up to £1.8m.

## **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**

A restructuring plan was presented to, and approved by, the E20 Stadium LLP Board after the reporting date (31 March 2018), but before these accounts were authorised for issue. The restructuring plan is focussed solely on making the Stadium operationally efficient and financially sustainable in the long-term and work is now underway to implement it. In the meantime, the partnership is dependent for its working capital on loan funding provided by LLDC (see Note 1.10). No adjustments were required to these financial statements as a result of this event.

On 21 June 2018, E20 Stadium LLP received an Expert Determination on various legal disputes with West Ham United Football Club Limited. The outcome of this Determination confirms that E20 Stadium LLP had a present obligation at the end of the reporting period. The partnership is therefore now recognising a provision in relation to this in accordance with IAS 37.