

E20 Stadium LLP

Annual report and financial statements

Registered number OC376732

31 March 2016

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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 2016.

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 enjoyed a successful year in 2015, making significant advancements in the transformation work and hosting a series of world class events. The transformation programme was paused in summer and autumn 2015, in order for the Stadium to play host to Diamond League athletics, a rugby league international, the race of champions motorsport event, and five matches in the Rugby World Cup, including the Bronze Final. E20's Stadium operator, London Stadium 185, is now established in its role and will help deliver further high profile events to the Stadium. Preparations are on track for the start of West Ham United's tenancy, which will see the arrival of regular Premier League football at the Stadium in 2016/17; the Stadium will also host its first concert (AC/DC) in June 2016. Looking further ahead the IAAF and IPC World Athletics Championships have been secured for the Stadium in 2017. The Stadium's first full steady-state year will therefore not be until 2018/19.

Financial performance

During the year, £96.2 million was incurred on transforming the Stadium and on additional works in relation to event readiness and other Stadium enhancements. The Stadium fair value is anticipated to be £22.5 million once all works are complete in 2016. Accordingly the partnership has recognised a loss of £100.7 million being impairment of the capital works to 31 March 2016 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 £3.9 million was generated in 2015/16, of which approximately £2.6 million was derived from events and programmes organised by the Stadium operator (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. In contrast the partnership incurred £7.8 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 £1.6 million relating to the aforementioned impairment of capital contributions. Other operating expenses include professional fees, direct staff costs, general overheads and Member recharges. The overall operating loss for the Stadium 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 temporarily.

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

David Edmonds
Chairman
Date: 29 July 2016

Lester Hudson
Board member
Date: 29 July 2016

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

David Edmonds
Chairman
Date: 29 July 2016

Lester Hudson
Board member
Date: 29 July 2016

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 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

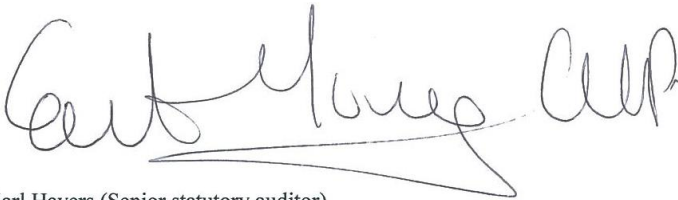
- ▶ give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2016 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read 'Karl Havers', followed by the letters 'LLP' in a smaller, more stylized font. The signature is written over a horizontal line.

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

London
29th July 2016

Income statement
for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Revenue	2	3,870	-
Cost of sales	3	(7,826)	(1,023)
		<u>(3,956)</u>	<u>(1,023)</u>
Other operating expenses	3	(2,060)	(1,605)
Depreciation and impairment	3	(99,106)	(122,114)
Operating loss		<u>(105,122)</u>	<u>(124,742)</u>
Loss for the financial year - attributable to members		<u>(105,122)</u>	<u>(124,742)</u>
Total comprehensive loss for the year - attributable to members		<u>(105,122)</u>	<u>(124,742)</u>

Statement of financial position
for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	4	19,810	24,386
		<u>19,810</u>	<u>24,386</u>
Current assets			
Trade and other receivables	5	5,828	10,526
Cash and cash equivalents	6	2	1,000
		<u>5,830</u>	<u>11,526</u>
Total assets		<u>25,640</u>	<u>35,912</u>
Equity and liabilities			
Equity attributable to members, as owners			
Individual members' capital	8	261,311	151,326
Other reserves classified as equity		(254,835)	(149,713)
Total equity		<u>6,476</u>	<u>1,613</u>
Liabilities			
Current liabilities			
Trade and other payables	7	11,995	16,818
Deferred income	7	1,545	-
Provisions	7	167	-
Amounts due to members	8	5,457	17,481
		<u>19,164</u>	<u>34,299</u>
Total liabilities		<u>19,164</u>	<u>34,299</u>
Total equity and liabilities		<u>25,640</u>	<u>35,912</u>
Total members' interests			
Individual members' capital		261,311	151,326
Other reserves classified as equity		(254,835)	(149,713)
		<u>6,476</u>	<u>1,613</u>
Amounts due to members	12	5,457	17,481
		<u>11,933</u>	<u>19,094</u>

David Edmonds
Chairman
Date: 29 July 2016

Lester Hudson
Board member
Date: 29 July 2016

Statement of changes in equity
for the year ended 31 March 2016

	Individual members' capital £'000	Members' other reserves £'000
Balance at 1 April 2014	24,149	(24,971)
Capital introduced by members	127,177	-
Profits/(losses) for the financial year 2015	-	(124,742)
Members interest after allocation of profit/(losses) for the year	151,326	(149,713)
Profits/(losses) allocated to members during the year	-	-
Balance at 31 March 2015	151,326	(149,713)
Balance at 1 April 2015	151,326	(149,713)
Capital introduced by members	109,985	-
Losses for the financial year 2016	-	(105,122)
Members interest after allocation of profit/(losses) for the year	261,311	(254,835)
Profits/(losses) allocated to members during the year	-	-
Balance at 31 March 2016	261,311	(254,835)

Statement of cash flows
for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit for the financial year		(105,122)	(124,742)
<i>Adjustments for</i>			
Depreciation and impairment	4	100,748	122,237
		(4,374)	(2,505)
(Increase)/decrease in trade and other receivables		(3,490)	884
Increase/(decrease) in trade and other payables		(72)	299
Increase/(decrease) in amounts due to members		(1,113)	1,615
		(9,049)	293
Cash generated from operations		(9,049)	293
Net cash flows from operating activities		(9,049)	293
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(96,172)	(137,512)
(Increase)/decrease in receivables from investing activities		8,188	(4,866)
Increase/(decrease) in payables from investing activities		(4,751)	8,235
Increase/(decrease) in amounts due to members from investing activities		(10,911)	6,405
Increase/(decrease) in deferred income and provisions		1,712	-
Net cash flows from investing activities		(101,934)	(127,738)
Cash flows from financing activities			
Capital introduced by individual members		109,985	127,177
Net cash flows from financing activities		109,985	127,177
Net increase/(decrease) in cash and cash equivalents		(998)	(268)
Cash and cash equivalents at the beginning of the year	6	1,000	1,268
Cash and cash equivalents at the end of the year		2	1,000

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.

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.

1.8 ***Allocations of profit or loss***

The allocation of profits 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 profit should take place, the division among the members is in accordance with the Members' Agreement.

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 in 2016/17 when the Stadium opens permanently. 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 partnership is currently dependent for its working capital on funds provided by the members. The members have provided the partnership with undertakings that, for at least twelve months from the date of approval of these financial statements, they will make available such funds and will continue to do so until the point that the partnership generates a surplus and no longer requires this support. After the initial mobilisation phase, the partnership's current business plan estimates that it will generate an annual surplus, which will benefit the taxpayer via distribution to its members. Having considered the forecast cashflows and risks faced by the partnership, the Board believe that this should enable the partnership to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The Board also notes that should that support be withdrawn then adjustments would be needed to these financial statements.

Notes *(continued)*

2 Revenue

	2016	2015
	£'000	£'000
Customer contributions to property, plant and equipment	155	1,000
Operating income	3,487	-
Other recharges	228	-
Total revenue	3,870	1,000

3 Cost of sales, expenses and auditor's remuneration

	2016	2015
	£'000	£'000
Cost of sales:		
- Impairment of customer contributions to property, plant and equipment	(1,641)	(123)
- Non impairment	(6,185)	(900)
Fair value adjustment for property, plant and equipment	(99,106)	(122,114)
Other operating expenses	(2,060)	(1,605)
	(108,992)	(124,742)

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. Non-impairment costs of sales include amounts paid to London Stadium 185 for their operator fees. Other operating expenses include professional fees, direct staff costs, general overheads and member recharges.

Auditor's remuneration

	2016	2015
	£'000	£'000
Audit of the financial statements	(35)	(15)
	(35)	(15)

Notes (continued)

4 Property, plant and equipment

	Assets under construction
	£'000
Balance at 1 April 2014	9,111
Additions	137,512
Net losses in fair value adjustment	<u>(122,237)</u>
Balance at 31 March 2015	<u>24,386</u>
Balance at 1 April 2015	24,386
Additions	96,172
Net losses in fair value adjustment	<u>(100,748)</u>
Balance at 31 March 2016	<u>19,810</u>

Property, plant and equipment under construction

All assets in the course of construction are related to the transformation work of the Stadium and other Stadium enhancements. The transformation work is expected to be completed by July 2016, with other works ongoing through 2016.

Revaluation

The fair value of property, plant and equipment under construction 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, after all works are complete, 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.

As at 31 March 2016, the Stadium fair value is expected to be £22.5 million (2015: £40 million) once all work has been completed in the summer of 2016. The valuation draws on the business plan and it should be noted that at the year end, the business was not yet operational, and is not expected to reach a steady state until 2018/19, due to West Ham Football Club taking up their concession in 2016/17 and the mobilisation and requirements of the IAAF and IPC World Athletics Championships in 2017/18. The main sensitivity affecting the fair value of the Stadium is the delivery of the business plan. As detailed in note 13 this carries an element of uncertainty and changes to business plan assumptions could result in a material adjustment to the Stadium's valuation.

The loss on change of fair value of £100.7 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). £1.6 million was recognised in the statement of profit or loss in cost of sales and £99.1 million was recognised as a separate line within the operating loss. The recoverable amount of £19.8 million as at 31 March 2016 is based on the expected fair value of the Stadium once in operation.

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	489	494
Insurance prepayment	465	-
Recoverable VAT	1,845	10,032
Trade debtors	1,955	-
Other debtors	1,074	-
	5,828	10,526

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.

The partnership has a balance with HMRC of £1.8 million of recoverable VAT (2014/15: £10.0 million), which will be received in the first quarter of 2016/17 financial year. Trade debtors consist mainly of a balance owed by Newham Legacy Investments.

6 Cash and cash equivalents

	2016	2015
	£'000	£'000
Cash and cash equivalents per the balance sheet	2	1,000
Cash and cash equivalents per the cash flow statements	2	1,000

7 Current liabilities

	2016	2015
	£'000	£'000
Current		
Trade payables	63	2,779
Accruals	11,932	14,039
Deferred income	1,545	-
Provisions	167	-
	13,707	16,818

Deferred income of £1.5 million relates to a grant from the London Marathon Trust towards the cost of the Stadium community track. This will be recognised in the income statement over the lifetime of the asset.

Notes *(continued)*

8 Individual members' capital and other interests

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

	£'000
Balance at 1 April 2014	24,149
Capital introduced by members	127,177
Repayments of capital	-
Profits/(losses) allocated to members during the year	-
Balance at 31 March 2015	151,326
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

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

	2016	2015
	£'000	£'000
Newham Legacy Investments Limited	-	415
London Legacy Development Corporation	5,457	17,066
Total amounts due to members as at 31 March 2016	5,457	17,481

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 2016	Note	Carrying amount		Fair Value	
		Loans and receivables	Total	Level 3	Total
		£'000		£'000	
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

31 March 2015	Note	Carrying amount		Fair Value	
		Loans and receivables	Total	Level 3	Total
		£'000		£'000	
Financial assets					
Cash and cash equivalents	6	1,000	1,000	1,000	1,000
		1,000	1,000	1,000	1,000
Financial Liabilities					
Trade and other payables	7	2,779	2,779	2,779	2,779
		2,779	2,779	2,779	2,779

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)*

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 2016, the partnership had commitments to pay of £24.2 million (2014/15: £76.6 million). These commitments are expected to be settled in the financial year 2016/17.

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 estimated cost to complete the Stadium transformation scope as defined by the Members' agreement is £297.8 million. The anticipated final cost used in the impairment includes transformation works and other enhancements, which together underpin the assumptions in the business plan. The increase in the Stadium transformation budget is related to the cost of delays and disruption caused by a seating contractor going into administration, as well as acceleration of works by Balfour Beatty and the use of planned contingency funding in preparation for events held in the Stadium.

Under the Membership Agreement, Newham Legacy Investment Limited is committed to finance up to £40 million of the transformation cost. Two unrelated parties, West Ham Holding Limited and the London Marathon Charitable Trust Limited are committed to provide finance respectively of £15 million and £3.4 million. London Legacy Development Corporation is committed to fund the balance of cost to complete backed by the Greater London Authority, and including agreed contributions of funding from central government.

Other transactions with the members are presented below:

	Capitalised cost 2016	Expense cost 2016
	£'000	£'000
Members	4,122	2,123
	4,122	2,123
	Receivables outstanding	Payables outstanding
	2016	2016
	£'000	£'000
Members	2,111	5,456
	2,111	5,456

	Capitalised cost 2015	Expense cost 2015
	£'000	£'000
Members	4,572	1,465
	4,572	1,465
	Receivables outstanding	Payables outstanding
	2015	2015
	£'000	£'000
Members	-	17,481
	-	17,481

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 estimated cost to complete the Stadium transformation scope as defined by the Members' agreement is £297.8 million. The anticipated final cost used in the impairment includes transformation works and other enhancements, which together underpin the assumptions in the business plan.

The increase in the Stadium transformation budget is related to the cost of delays and disruption caused by a seating contractor going into administration, as well as acceleration of works by Balfour Beatty and the use of planned contingency funding in preparation for events held in the Stadium.

Based on experts' valuation, the Stadium fair value is anticipated to be £22.5 million after the transformation and other capital works are complete. As the Stadium could be used for different purposes, management believes that the Stadium has a fair value at any point in time during the transformation work. However it is not cost effective to obtain a valuation considering alternative uses during the construction phase, and therefore the impairment has been based on the total expected capital costs in excess of the expected fair value once the Stadium is opened permanently.

Under the current capital budget, the fair value of the Stadium will represent about 7.4% (2015: 14.2%) of the total expenditure. As the exact value of the Stadium during the pre-opening process is judgmental, a recognition of the value of the Stadium on a straight line basis as 7.4% of the capital expenditure at each reporting date is therefore applied.

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

The Stadium valuation is underpinned by the 10-year business plan as detailed in note 4. The assumptions within the business plan carry an element of uncertainty and these could result in a material adjustment to the carrying amount.

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.