Company Registration No. 3387163

Centurycomm Limited

Report and Financial Statements

Period ended 31 December 2016

Centurycomm Limited

Contents

Centurycomm Limited

Officers and registered office

Directors

A Byrne
P Crowley (resigned 15 September 2016)
N Hughes (resigned 15 September 2016
M Francis (appointed 15 September 2016)
B Millington (appointed 15 September 2016)
M Renshaw (appointed 15 September 2016)

Secretary

M L Francis

Registered office

5 Fleet Place
London
EC4M 7RD

Bankers

National Westminster Bank plc
City Of London Office
P.O. Box 12258
1 Princes Street
EC2R 8PA

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Centurycomm Limited

Strategic report

The directors present their strategic and annual report and the audited financial statements for the period ended 31 December 2016 as required under S414c CA 2006. The purpose of the Strategic Report is to inform members of the company and help them assess how the directors have performed their duty under Section 172 (duty to promote the success of the company).

Principal activity

The principal activity of the company in the period under review was the generation of horseracing and sports betting content for a range of platforms, in particular for the Racing Post newspaper, Racing Post website, Racing Post racing mobile app, and Racing Post iPad edition.

Acquisition of the parent company

The parent company, Stradbrook Acquisitions (Holdings) Limited was acquired on 15 September 2016 by Exponent Private Equity Partners III LP through the company Fence Topco Limited.

Business review

The business is successfully continuing its transition from a traditional newspaper delivering content over one medium daily to providing constant and real-time content for delivery across a number of platforms. The transition is necessary in order to meet the needs of the consumer who wishes to absorb quality journalism across a myriad of alternative digital platforms, as well as print.

The company continued its investment in web, mobile, and tablet with the recruitment of staff with expert skills in these fundamental areas, together with a capital expenditure programme dedicated to bringing to market cutting-edge digital products which continue to delight existing users, and attract a new, younger audience to the Racing Post brand.

A major IT project recently completed which consolidates the key digital products into a single horseracing website whose pages are fully responsive to mobile and tablet devices. The rebuild has created a proposition that better meets the needs of our major customer segments and, by extension, will help to further grow sustainable digital revenue streams. In addition, the new website also removes the need to maintain separate code bases for web, mobile, and tablet.

The horseracing mobile app welcomed two more high-profile bookmaker partners onto the platform during the year. Sitting alongside the two existing partners, the addition of these new partners contributed to significant growth in betting revenues.

Business-to-business revenues have also shown significant growth as more and more bookmakers recognise and rely upon the strength of Racing Post's bet-prompting content in horseracing, football, and other sports for their discerning customer base.

In line with the experiences of most other newspapers across the globe, the traditional print-side of the business continues to face challenges. The Racing Post has a loyal readership, and it is this loyalty, together with unwavering support from the horseracing and betting industry which has helped to restrict the business's print declines. The decline in Racing Post circulation sales was in line with the previous year at 6% which represents an above-average performance when compared to other newspapers in the UK and Ireland. Print advertising revenues finished ahead of the previous year for the second year running, and significantly outperformed the market which saw double-digit declines across national 'newsbrand' spend.

The continued growth in digital revenues while successfully managing volume decline within the traditional print-side of the business, together with the sale of a trademark (£6 million) enabled the company to generate revenues of £57.9 million (2015 £56.1 million), operating profit of £20.0 million (2015: £12.8 million) and EBITDA of £28.8 million (2015 £20.7 million). The company's results for the period ended 31 December 2016 are set out on page 8.

The company will press ahead with growing its digital business during 2017, while seeking to manage volume decline within print. The company's success to date across web, mobile, tablet and business-to-business means more people than ever are interacting with its portfolio of different products. The horseracing mobile app engages with a new, younger audience which the newspaper would have struggled to reach.

Centurycomm Limited

Strategic report (continued)

Principal risks and uncertainties

In common with most publishers the company is reliant on circulation and advertising revenues although it is proportionately less reliant on advertising than its peers. General economic conditions and the financial health of our customers affect the performance of our business. However, the company is not overly reliant on any single customer and we derive less of our revenue from more cyclical advertising than other media publishers. We retain the support of our principal advertising customers and continue to attract new advertisers. Our core titles and website www.racingpost.com have performed well while we have been very pleased with the growth in our mobile and tablet offerings. The company will continue to evolve to take advantage of the opportunities afforded by the changes taking place in the media sector and to maximise value in its core horseracing and sports betting content and brands.

Financial risk management

The company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are interest rate risk, currency risk, credit risk and liquidity risk.

The company is exposed to interest rate changes. The risk has been mitigated by the hedging of 80% of the bank loans and hence 80% of the interest expense.

Currency risk is mitigated where possible through goods, services and financing sourced in currencies matching those foreign currency inflows.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for bad and doubtful debts, estimated based on prior experience and assessment of the economic climate.

Liquidity risk arises through timing differences between cash inflows and outflows. These risks are managed through the maintenance of sufficient cash balances and unutilised credit facilities estimated to be required to meet future requirements. These resources together with cash flows expected to be generated by the company are regarded as sufficient to meet the anticipated funding requirements of the company for at least the next 12 months.

Centurycomm Limited

Strategic report (continued)

Key performance indicators

	Period ended 31 December 2016	Period ended 27 December 2015
Turnover	£57.9m	£56.1m
EBITDA		
Operating profit	£20.0m	£12.8m
Depreciation of tangible fixed assets	£0.4m	£0.4m
Amortisation of capitalised development costs	£2.8m	£2.0m
Amortisation of goodwill and other intangible assets	£5.6m	£5.5m
	£28.8m	£20.7m
Newspaper circulation sales		
Racing Post (Monday to Sunday) unaudited management information	37,344	39,713
Website statistics		
Average monthly unique users (source Google Analytics)	1,719,685	1,651,691
Mobile statistics		
Average monthly unique users (source Google Analytics)	548,641	473,600
Tablet statistics		
Average monthly unique users (Source Localytics)	64,009	62,169

Approved and signed by the directors

Alan Byrne
Director

28 April 2017

Centurycomm Limited

Directors' report

The present membership of the Board and the directors who served throughout the period are set out on page 1.

Dividends and transfer to reserves

No dividend will be paid for the period ended 31 December 2016 (2015: £nil). A retained profit for the financial period of £18,167,000 (2015: £10,410,000) has been transferred to reserves.

Directors' and officers' liability insurance

During the period ended 31 December 2016 the parent company has maintained insurance cover for its directors and officers including those of its subsidiary undertakings, in respect of their duties.

Going concern

The directors continue to adopt the going concern basis in preparing the accounts (see note 1).

Strategic report

The information that fulfils the Companies Act requirements of the business review is included in the Strategic report. This includes a review of the development of the development of the business of the company during the period, of its position at the end of the period, and of the likely future developments in its business.

Political and charitable donations

During the period ended 31 December 2016 contributions for charitable purposes totalled £24,768 (2015: £23,956), principally to horse racing and sport-related charities. No political donations were made during either period.

Employee related matters

Disabled persons
The group policy is to give fair and equal consideration to the recruitment, employment and career development of disabled persons where suitable opportunities arise, and to provide such training and other assistance as may be necessary and practicable. Employees who become disabled and are unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

Employee involvement
Communication and participation of employees is achieved through both formal and informal channels. The means of communication range from formal union procedures to staff briefings and formal and informal management briefings where appropriate. Communication is by personal letter, e-mail or circular to employees individually. In addition, the Chief Executive presents a quarterly update to the staff.

Pension schemes
The group participates in a stakeholder pension scheme as described in note 6 to the financial statements.

Centurycomm Limited

Directors' report

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved and signed by the directors

Alan Byrne

Director

28 April 2017

Centurycomm Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Centurycomm Limited

We have audited the financial statements of Centurycomm Limited for the period ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's 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 company's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual 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 company's affairs as at 31 December 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

K. J. Houldsworth.

Kate J Houldsworth FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

28th April 2017

Centurycomm Limited

Profit and loss account
Period ended 31 December 2016

	Notes	Period ended 31 December 2016 Total £'000	Period ended 27 December 2015 Total £'000
Turnover	3	57,873	56,114
Cost of sales		(18,020)	(17,939)
Gross profit		39,853	38,175
Administrative expenses			
- Depreciation of tangible fixed assets	10	(387)	(429)
- Amortisation of capitalised development costs	9	(2,817)	(2,036)
- Amortisation of goodwill and other intangible assets	9	(5,632)	(5,468)
- Other administrative expenses		(15,513)	(15,618)
Distribution costs		(1,518)	(1,829)
Profit on disposal of trademark		6,000	-
Operating profit		19,986	12,795
Profit on ordinary activities before finance charges		19,986	12,795
Foreign exchange gain / (loss) on foreign currency holdings		370	(42)
Net finance charges	4	33	21
Profit on ordinary activities before taxation	5	20,389	12,774
Tax on profit on ordinary activities	8	(2,222)	(2,364)
Profit for the financial period		18,167	10,410

All the above results are derived from continuing operations.

Centurycomm Limited

Statement of comprehensive income
Period ended 31 December 2016

	Period ended 31 December 2016 £'000	Period ended 27 December 2015 £'000
Profit for the financial period	18,167	10,410
Currency translation on foreign currency investments	1,771	(739)
	19,938	9,671
Tax relating to components of other comprehensive income	-	-
Total comprehensive income	19,938	9,671

Centurycomm Limited

Balance sheet
At 31 December 2016

	Notes	31 December 2016 £'000	31 December 2016 £000	27 December 2015 £'000	27 December 2015 £'000
Fixed assets					
Goodwill	9	54,917		58,778	
Intangible assets	9	5,371		3,499	
Tangible assets	10	437		476	
			60,725		62,753
Current assets					
Stocks	11	-		1	
Debtors	12	154,261		131,843	
Cash at bank and in hand		6,703		5,812	
		160,964		137,656	
Creditors: amounts falling due within one year	13	(18,989)		(18,084)	
Net current assets			141,975		119,572
Total assets less current liabilities			202,700		182,325
Provisions for liabilities	14		(1,511)		(1,074)
Net assets			201,189		181,251
Capital and reserves					
Called up share capital	15		190,000		190,000
Profit and loss account			16,555		(1,612)
Foreign exchange reserve			(5,366)		(7,137)
Total shareholders' funds			201,189		181,251

These financial statements of Centurycomm Limited, registered number 3387163, were approved by the directors and authorised for issue on 28 April 2017

Signed on behalf of the directors

Alan Byrne
Director

Centurycomm Limited

Statement of changes in equity
At 31 December 2016

	Called-up share capital £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Total £'000
At 27 December 2015 as previously stated	190,000	(7,137)	(1,612)	181,251
Profit for the financial period	-	-	18,167	18,167
Currency translation on foreign currency investments	-	1,771	-	1,771
Tax relating to items of other comprehensive income	-	-	-	-
Total comprehensive income	-	1,771	18,167	19,938
Issue of share capital	-	-	-	-
Expenses of equity share issues	-	-	-	-
At 31 December 2016	190,000	(5,366)	16,555	201,189
At 28 December 2014 as previously stated	190,000	(6,398)	(12,022)	171,580
Profit for the financial period	-	-	10,410	10,410
Currency translation on foreign currency investments	-	(739)	-	(739)
Tax relating to items of other comprehensive income	-	-	-	-
Total comprehensive income	-	(739)	10,410	9,671
Issue of share capital	-	-	-	-
Expenses of equity share issues	-	-	-	-
At 27 December 2015	190,000	(7,137)	(1,612)	181,251

Centurycomm Limited

Notes to the financial statements
For the period ended 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

a. General information and basis of accounting

Centurycomm Limited is a company incorporated in the United Kingdom under the Companies Act. The company is registered in England and Wales and its registration number is 3387163. The address of the registered office is 5 Fleet Place, London, EC4M 7RD. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Centurycomm Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Centurycomm Ltd meets the definition of a qualifying entity under FRS 102, being a subsidiary entity in the group headed by Fence Topco Limited, and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Basis of consolidation

Centurycomm Ltd is a subsidiary in the group headed by Fence Topco Limited which prepares consolidated accounts. The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

c. Going concern

The directors have made enquiries and have taken into account the company's forecasts and financial position of the company and of its ultimate parent company. The loan facility of the parent company was agreed and advance on 15 September 2016. The directors' forecasts show that the company will be able to operate within the new facilities. These forecasts also show that the company will comply with its financial covenants throughout the forecast period. Accordingly the directors have a reasonable expectation that the company has adequate resources to continue in existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the accounts.

d. Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment. Upon adoption of FRS 102, it has been deemed appropriate to continue to amortise the remaining goodwill balance from the 2007 acquisition over the remaining term which at the period end was 10 years.

e. Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the group is expected to benefit. This period is three years. Provision is made for any impairment.

In the period ended 31 December 2016 the company has changed its processes so that it is able to record those costs that meet the criteria for capitalisation under FRS 102. The information required for the review for periods earlier than this was not held.

f. Intangible assets – patents and trademarks

Separately acquired patents and trademarks are included at cost and amortised in equal annual instalments over their estimated useful economic life. Provision is made for any impairment.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date.

g. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	33.3% per annum
Computers	33.3% per annum
Office furniture	33.3% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

h. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements
For the period ended 31 December 2016

i. Financial instruments (continued)

(i) Financial assets and liabilities (continued)

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

In the company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Notes to the financial statements
For the period ended 31 December 2016

i. ***Financial instruments (continued)***

(iii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Note 24 sets out details of the fair values of the derivative instruments used for hedging purposes.

j. ***Stocks***

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

k. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

k. Impairment of assets (continued)

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

l. *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the financial statements
For the period ended 31 December 2016

m. *Turnover*

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

n. *Barter transactions*

Turnover is recognised in respect of barter transactions only where services are exchanged for dissimilar services and the transaction is deemed to have commercial substance. Such transactions are measured at the fair value of the services received, adjusted by any amount of cash and cash equivalents transferred.

o. *Employee benefits*

The company contributes to the Racing Post Group Stakeholder Pension Scheme, a defined contribution scheme. For this scheme the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

p. *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.

Other exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

q. *Leases*

The company as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

r. Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Notes to the financial statements
For the period ended 31 December 2016

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date and judgement is required in determining the services provided based on contractual terms and on historic experience.

Key source of estimation uncertainty - impairment of goodwill

In determining whether goodwill is impaired, management considers whether there are indicators of impairment in relation to the cash generating unit to which goodwill has been allocated. If relevant, management measures the recoverable amount at the higher of fair value less costs to sell and value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Capitalisation of internally generated development costs

In the period ended 31 December 2016 the company has changed its processes so that it is able to record those costs that meet the criteria for capitalisation under FRS 102. The information required for the review for periods earlier than this was not held. The company carries out a review of costs to assess those costs that meet the criteria for capitalisation under FRS 102. The useful economic life is determined to be 3 years and is in line with the other development.

3. Turnover

Turnover arises primarily within the UK and Ireland and is largely attributable to the principal activity of the company. The company has decided not to disclose information by segment as the directors deem that the information is prejudicial to the interests of the company.

4. Net finance charges

	Period ended 31 December 2016 £'000	Period ended 27 December 2015 £'000
Bank interest receivable	33	21

Notes to the financial statements
For the period ended 31 December 2016

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting):

	Period ended 31 December 2016 £'000	Period ended 27 December 2015 £'000
Profit on disposal of trademark	(6,000)	-
Amortisation of goodwill (note 9)	5,632	5,468
Amortisation of development costs (note 9)	2,817	2,036
Depreciation of tangible fixed assets (note 10)	387	429
Operating lease rentals – other	67	58
Foreign exchange (gain) / loss	(107)	95

A trademark and domain name with a nil carrying value was sold in the year for £6m.

The auditor's remuneration for the audit of the company's annual accounts for the period ended 31 December 2016 was £57,000 (2015: £53,000). Fees payable to the auditor for other services pursuant to legislation were £32,500 (2015: £17,500).

6. Staff costs

Staff costs are as follows:

	Period ended 31 December 2016 £'000	Period ended 27 December 2015 £'000
Wages and salaries	14,255	14,407
Social security costs	1,597	1,684
Pension costs of defined contribution and money purchase schemes	662	848
	16,514	16,939

The average monthly number of employees (including executive directors) was:

	No.	No.
Sales and administration	135	126
Editorial	150	149
	285	275

A Long Term Incentive Plan was put in place in 2015 to promote management retention and long-term performance. A total of 16 (2015: 13) members of staff participate in the scheme for which the charge in respect of 2016 was £405,000 (2015: £459,000) including all associated costs. Awards under the scheme are dependent upon achievement of both personal and company performance targets, and on remaining an eligible employee through to the end of their respective bonus agreements.

Notes to the financial statements
For the period ended 31 December 2016

6. Staff costs (continued)

Pensions

The company contributes to the Racing Post Group Stakeholder Pension Scheme, a defined contribution scheme.

For the Racing Post Group Stakeholder Pension Scheme, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

7. Directors' remuneration and transactions

	Period ended 31 December 2016 £'000	Period ended 27 December 2015 £'000
Directors' remuneration		
Emoluments	133	178
Company contributions to money purchase pension schemes	13	17
	146	195
The number of directors who:		
Are members of a money purchase scheme	1	1

	Period ended 31 December 2016 £'000	Period ended 27 December 2015 £'000
Remuneration of the highest paid director:		
Emoluments	133	178
Company contributions to money purchase pension schemes	13	17
	146	195

Notes to the financial statements
For the period ended 31 December 2016

8. Tax on profit on ordinary activities

	Period ended 31 December 2016 £'000	Period ended 27 December 2015 £'000
Current tax:		
UK Corporation tax		
Current tax on income for the period	2,426	2,479
Adjustments for prior periods	(552)	(367)
Foreign tax	266	228
Total current tax	2,140	2,340
Deferred tax:		
Origination and reversal of timing differences	(214)	(209)
Effect of decreased tax rates	101	3
Decrease in estimate of recoverable deferred tax asset	195	230
Total deferred tax	82	24
Tax charge in period	2,222	2,364

Reconciliation of tax charge

The standard rate of current tax based on the UK standard rate of corporation tax is 20.0% (2015: 20.3%). The actual rate of current tax is less than 20.0% (2015: less than 20.3%) for the reasons set out in the following reconciliation:

	Period ended 31 December 2016 £'000	Period ended 27 December 2015 £'000
Company profit before tax	20,389	12,774
Tax on profit at standard UK corporation tax rate of 20.0% (2015: 20.3%)	4,078	2,594
Expenses not deducted for tax purposes	1,213	1,133
Depreciation in excess of capital allowances	-	(109)
Other timing differences	-	97
Group relief not paid for	(1,427)	(1,021)
Difference in foreign tax rates	(175)	(162)
Adjustment in respect of prior periods	(372)	(171)
Changes in tax rates	105	3
Income not taxable in determining taxable profit	(1,200)	-
Total tax charge	2,222	2,364

8. Tax on profit on ordinary activities (continued)

Following enactment of Finance Act 2015, the main corporation tax rate reduced from 21% to 20% on 1 April 2015. It was announced in March 2016 that the rate would be reduced to 19% from 1 April 2017. It was announced in March 2017 that the rate would be reduced to17% from 1 April 2020.

During the period beginning 28 December 2015, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £82,000.

There is no expiry date on timing differences, unused tax losses or tax credits.

9. Intangible fixed assets

	Development costs £'000	Goodwill £'000	Total £'000
Cost			
At beginning of period	13,415	187,941	201,356
Additions	4,689	-	4,689
At end of period	18,104	187,941	206,045
Accumulated amortisation and impairment			
At beginning of period	9,916	129,163	139,079
Charge for the period	2,817	5,632	8,449
Foreign exchange adjustment	-	(1,771)	(1,771)
At end of period	12,733	133,024	145,757
Net book value			
At 31 December 2016	5,371	54,917	60,288
At 27 December 2015	3,499	58,778	62,277

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realised loss.

In the period ended 31 December 2016 the company has changed its processes so that it is able to record those costs that meet the criteria for capitalisation under FRS 102. The company carries out a review of costs to assess those costs that meet the criteria. The information required for the review for periods earlier than this was not held and, accordingly, it is impracticable to apply retrospective application. The internally generated amounts that were capitalised cost £1,263,000. The company capitalises all expenditure that is deemed to be development expenditure under FRS 102.

Notes to the financial statements
For the period ended 31 December 2016

10. Tangible fixed assets

	Leasehold improvements £'000	Computer £'000	Office furniture £'000	Total £'000
Cost				
At beginning of period	446	6,588	198	7,232
Additions	-	348	-	348
At end of period	446	6,936	198	7,580
Accumulated depreciation				
At beginning of period	443	6,120	193	6,756
Charge for the period	2	382	3	387
At end of period	445	6,502	196	7,143
Net book value				
At 31 December 2016	1	434	2	437
At 27 December 2015	3	468	5	476

11. Stocks

	31 December 2016 £'000	27 December 2015 £'000
Raw materials and consumables	-	1

There is no material difference between the balance sheet value of stocks and their replacement cost.

12. Debtors

	31 December 2016 £'000	27 December 2015 £'000
Trade debtors	5,043	7,728
Amount owed by immediate parent undertaking	2,100	2,100
Amount owed by fellow subsidiaries	143,989	118,574
Other debtors	43	637
Prepayments and accrued income	2,514	2,150
Deferred tax	572	654
	154,261	131,843

The amounts owed by fellow subsidiaries are repayable on demand, but are unlikely to be settled within one year

The deferred tax asset included in the accounts comprises:

	31 December 2016 £'000	27 December 2015 £'000
Depreciation in excess of capital allowances	433	515
Short term timing differences	139	139
	572	654

The movement in the deferred tax asset was as follows:

At beginning of the period	654	678
Current period credit	214	209
Effect of decrease in tax rate	(101)	(3)
Adjustment in respect of previous years	(195)	(230)
At end of the period	572	654

Notes to the financial statements
For the period ended 31 December 2016

13. Creditors: amounts falling due within one year

	31 December 2016 £'000	27 December 2015 £'000
Trade creditors	4,061	2,517
Bank loans and overdrafts	2,562	649
Amount owed to fellow subsidiaries	5,831	5,227
Other taxation and social security	1,134	1,207
Corporation tax	864	1,051
Other creditors	432	366
Accruals and deferred income	4,105	7,067
	18,989	18,084

14. Creditors: amounts falling due after more than one year

	31 December 2016 £'000	27 December 2015 £'000
Accruals and deferred income	1,511	1,074

15. Called up share capital and reserves

	31 December 2016 £'000	27 December 2015 £'000
Authorised:		
200,000,000 ordinary shares of £1 each (27 December 2015: 200,000,000 ordinary shares of £1 each)	200,000	200,000
Called up, allotted and fully paid:		
190,000,002 ordinary shares of £1 each (27 December 2015: 190,000,002 ordinary shares of £1 each)	190,000	190,000

16. Guarantees and other financial commitments

The company are guarantors in respect of the bank borrowings of Fence Bidco Limited, a fellow subsidiary undertaking in the Fence Topco Group. There is a fixed and floating charge over the property and intellectual property owned by the company.

Notes to the financial statements
For the period ended 31 December 2016

17. Financial commitments

The company has future minimum lease payments under non-cancellable operating leases totalling:

	31 December 2016 £'000	27 December 2015 £'000
On operating leases which expire:		
Within one year	15	2
Between two and five years	84	126
	99	128

18. Employee benefits

Defined contribution schemes

The company contributes to the Racing Post Group Stakeholder Pension Scheme, a defined contribution scheme.

For the Racing Post Group Stakeholder Pension Scheme, the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The total expense charged to profit or loss in the period ended 31 December 2016 was £662,000 (2015: £848,000).

19. Related party transactions

The company is a wholly owned subsidiary within a group, and utilises the exemption contained in FRS 102, "Related Party Disclosures", not to disclose any transactions with entities that are part of the group.

20. Explanation of transition to FRS 102

This is the first year that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the 52 week period ended 27 December 2015 and the date of transition to FRS 102 was therefore 28 December 2015. As a consequence of adopting FRS 102, there have been no material changes to the accounting policies to comply with that standard, other than to reclassify capitalised development costs from tangible assets to intangible assets in the balance sheet.

21. Controlling party The company's immediate parent undertaking is Stradbrook Holdings Limited, a company incorporated in United Kingdom and registered in England and Wales.

In the opinion of the directors, the company's ultimate controlling party at 31 December 2016 was Exponent Private Equity Partners III LP, a limited partnership incorporated in United Kingdom and registered in England and Wales. The smallest and largest group in which the company is incorporated is Fence Topco Limited, the accounts for which can be obtained from Companies House.