Company Registration No. 09840382

Fence Midco Limited

Annual report and financial statements

For the year ended 31 December 2020

Fence Midco Limited

Contents

Fence Midco Limited

Officers and professional advisers

Directors

A Byrne
M L Francis

Registered Office

5 Fleet Place
London
England
EC4M 7RD

Bankers

Lloyds Banking Group Plc
25 Gresham Street
London
EC2V 7HN

Auditor

Deloitte LLP
Statutory Auditor
Hill House
1 Little New Street
London
EC4A 3TR
United Kingdom

Fence Midco Limited

Strategic report

The directors present their strategic and annual report and the audited financial statements for the year ended 31 December 2020 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 group).

Review of the business

Principally, the company is a holding company which issued loan notes to the company's ultimate controlling entity, Exponent Private Equity Partners III LP to raise funds for the group's acquisition of 100% of the share capital of Stradbrook Acquisition (Holdings) Limited in 2016.

Prior to being acquired itself in this transaction, Stradbrook Acquisition (Holdings) Limited was the head company of the Spotlight Sports Group (previously known as the Racing Post Group) whose primary activity is the generation of horse racing and sports betting content for a range of platforms.

Results

The company made a pre-tax loss of £432,000 (2019: £355,000 loss) for the year which comprised net finance charges and investment income, and had net liabilities of £1,384,000 as at 31 December 2020, (2019: £981,000 net liabilities).

Key performance indicators

Other than interest payable, interest receivable, pre-tax loss and net assets of the company, in the opinion of the Board, there are no key performance indicators whose disclosure is necessary for an understanding of the development, performance or position of the business.

In 2020, interest receivable £10,588,000 (2019: £9,287,000) and interest payable £10,991,000 (2019: £9,642,000) are as anticipated. As interest bearing loans receivable are slightly lower than interest bearing loan notes issued, in the short to medium term losses are likely to continue until dividends or distributions are received from within the group. In the meantime however, the company holds a letter of support from Fence Topco Limited, the parent company, providing support to enable the company to meet their liabilities as they fall due for at least 12 months from the date of signing these financial statements.

Principal risks and uncertainties

Acting as a holding company, the board do not consider that Fence Midco Limited faces any significant risks and uncertainties in the foreseeable future other than those which impact the wider group, details of which are provided in the Fence Topco Limited accounts. However the principal risks to the group highlighted by the COVID-19 pandemic are those which impact the horseracing and sport industries, specifically a further cessation worldwide. The economic impact of COVID-19, Brexit and any new legislation, represent areas of future uncertainty. The full impact of these on the business and wider industry will become clearer over the next 12-18 months. The directors continue to monitor any developments in these areas ensuring the business capitalises on any opportunities.

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 as counterparties for funds both borrowed and lent are intergroup entities with interest rates either unlikely to vary from default loan agreements or if varied, likely to be able to be passed on.

The company's credit risk is primarily attributable to its receivables, primarily interest bearing loans and loan notes. 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.

Fence Midco Limited

Strategic report

Financial risk management (continued)

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.

Future developments

Acting as a holding company, the board does not consider that there are any future developments requiring disclosure other than those which impact the wider group, details of which are provided in the Fence Topco Limited accounts.

Approved and signed by the directors

A Byrne
Director
Date: 22 April 2021

Fence Midco Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the year ended 31 December 2020.

The present membership of the Board and the directors who served throughout the year and to date of signing, except as noted, are as follows:

Directors

A Byrne
M L Francis
R Segal (Resigned 30 September 2020)

Directors' duties and stakeholder engagement
Section 172(1) of the Companies Act (2006) requires directors to act in a way that they consider, in good faith, would be most likely to promote the success of a company. In doing so, directors must take into consideration the interests of the various stakeholders, the impact of its operations on the community and the environment, take a long-term view on consequences of the decisions they make as well as aim to maintain a reputation for high standards of business conduct and fair treatment between the members.

In complying with the requirements of Section 172(1), the Directors should be able to ensure that all decisions are made in a responsible and sustainable way for the benefit of all stakeholders. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the below explains how the Directors have discharged their duties under Section 172(1). This section serves as the Company's Section 172(1) Statement.

The group's stakeholders are considered to comprise its shareholders, lenders, customers and suppliers. Details of how the Board seeks to understand the needs and priorities of the Company's stakeholders and how these are taken into account during all of its discussions and as part of its decision-making are set out below:

Customers

First and foremost, the directors and the group always seek to promote and advocate responsible gambling, becoming a founding member of The Responsible Affiliates in Gambling (RAIG), an independent body set up to help raise standards in the sector, particularly in respect of responsible gambling. The association aims to foster wider initiatives in the UK affiliate marketing sector to promote social responsibility and help create a safer gambling environment for consumers. The body was founded in May 2019 and as a condition of membership, each member will be subject to an annual social responsibility audit which will be conducted by an independent third party.

The business continues its transition from a traditional newspaper delivering content over one daily medium to providing constant and real-time content for delivery across various platforms to meet the needs of the customer who wishes to absorb quality journalism and bet-promoting content across a myriad of alternative digital platforms, in addition to print.

The group continued its investment in mobile and web technology to bring to market cutting-edge digital products which delight existing users, and attract a new, younger audience to the Spotlight Sports Group brands.

We have regular meetings with our business-to-business customers at both operational and strategic level and have clear partnership agreements in place. The COVID-19 pandemic emphasised the need to adopt this approach, during the cessation of sport and racing the partnership agreements were reviewed and where necessary refinements were made to reflect our service offering during this unique period.

Suppliers

We listen carefully to the concerns of our suppliers and act accordingly. We have regular meetings at both operational and strategic level, with clear service agreements in place.

The group, and subsidiary company directors have been in active dialogue throughout the year with its suppliers which has informed the way the board of directors have undertaken critical decisions in order to allow the business to be able to navigate through the COVID-19 crisis.

Shareholders and lenders

Key financial and non financial information is shared with shareholders and lenders on a regular basis and Board meetings are held regularly to review performance and strategy.
Throughout the year the directors have updated shareholders and lenders regarding key decisions required in response to the COVID-19 pandemic and its impact on the business. The principal outcome of these discussions was a reprofiling of the group's financial borrowings and a cash injection from the ultimate controlling entity, creating additional headroom.

Energy and carbon reporting
The group looks to minimise its carbon footprint and energy usage. ESG reporting is presented to the board of parent company Fence Topco Limited on a quarterly basis.

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 business of the company during the year, of its position at the end of the year, and of the likely future developments in its business.

Similarly, the company's financial risk management objectives, policies and exposure are stated in the Strategic report.

Dividends and transfer to reserves
No dividend is proposed for the year ended 31 December 2020 (2019: £nil). A retained loss for the financial year of £432,000 (2019: £355,000 loss) has been carried forward.

Future developments

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. As a result, there have been changes in macroeconomic conditions as a result of the threat and uncertainty posed by the outbreak.

As a result of the lockdown measures imposed in the UK and Ireland, employees across all offices have been working remotely. The cessation of sport and horseracing worldwide significantly reduced group revenues during this period. Whilst digital platforms were maintained, daily print production was paused. To manage and mitigate the impact, management has restructured the group's financial borrowings, creating additional headroom, and implemented an in-depth cost reduction programme.

Going concern
The principal risks to the company highlighted by the COVID-19 pandemic are those which impact the horseracing and sport industries, specifically a further lockdown. To manage and mitigate the potential impact of this risk, management has restructured the group's financial borrowings, creating additional headroom, and implemented an in-depth cost reduction programme. The group's forecasts and projections, taking account of reasonably possible changes in trading performance and a further cessation of horseracing and sport, show that the group should be able to operate within the level of its existing facilities.

Going concern (continued)

The directors have noted the financial loss recorded during the year under review, the structure of the loan agreements and group funding arrangements in place mean that the entity is expected to be loss making and therefore a letter of support has been provided by the ultimate parent company, Fence Topco Limited. This letter confirms that the group will continue to provide financial support to enable the company to meet their liabilities as they fall due for at least 12 months, and will not demand any repayment of any intercompany balances due during the period except that such payments can be made while the company continues to settle its third party liabilities. The Directors, who are also directors of Fence Topco Limited, have considered Fence Topco Limited's ability and commitment to provide this support and are satisfied that it will continue to be provided.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. These provisions are common to directors of the parent company Fence Topco Limited, and other subsidiaries within the group.

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/she ought to have taken as a director in order to make himself/herself 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. The company has taken advantage of several disclosure exemptions.

Pursuant to S487 of the Companies Act 2006, Deloitte LLP will be deemed to be reappointed auditor and will therefore continue in office until further notice.

The annual report and Financial statements are prepared under FRS 102 and as a qualifying entity, the company has taken advantage of several disclosure exemptions (note 1).

Approved by the Board on 22 April 2021 and signed on its behalf by:

A Byrne
Director

Fence Midco 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Fence Midco Ltd

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Fence Midco Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Recoverability of debtors from group undertakings.* • *Classification of shareholder loans.* Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £2.2m which was determined on the basis of 1.8% of total assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	In the previous period we considered there to be two key audit matters. We continue to consider the classification of shareholder loans to be a key audit matter; however, we reassessed the potential risk of error arising in respect of the recoverability of debtors from group undertakings. We considered the book value of these debtor balances in the context of the value-in-use of the underlying trading entities and their future distribution flow to the Company, and concluded that this is no longer a key audit matter. This conclusion was further based on our understanding of the Company's internal control environment and its performance during the Covid-19 pandemic. There are no other significant changes in our approach to the audit.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtained an understanding of relevant internal controls surrounding the preparation of management's going concern paper and associated cash flow forecasts;
- Consideration and challenge of management's cash flow forecasts for the period to 31 December 2022, and their underlying assumptions, in the context of:
  - historical forecasting accuracy;
  - available contradictory evidence; and
  - the embedded expectations in respect of the future impact of Covid-19.
- Evaluation of external financing facilities and the headroom on their related covenants, along with agreement to the underlying documentation;
- Assessment of trading performance during the Covid-19 period and the ability of management to employ mitigations under stressed circumstances;
- Evaluation of the appropriateness of management's sensitised test scenarios within their financial modelling and their impact on the Company's liquidity position in the going concern period; and
- Evaluated whether the disclosures in the financial statements represented an appropriate picture of the Company's circumstances.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. 5.1. Classification of shareholder loans

Key audit matter description	The classification of shareholder loan notes is determined based on forecast future leverage ratios based on the Company's board-approved forecasts. This determines the amount which the Company can contractually defer repayment beyond twelve months at the year end. There is estimation uncertainty involved in making this assessment since the allocation of the shareholder loan note between current and non-current liabilities is based on management's forecasts. Shareholder loan notes total £83.6m (2019: £76.6m). This has been disclosed as a key source of estimation uncertainty in note 2 and within notes 11 and 12 of the financial statements.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls related to the classification of shareholder loans. We challenged the directors' judgements regarding the appropriateness of classifying loans based on our review of the contractual terms of the loan note, banking and investor agreements. We challenged the reasonableness of key inputs to management's forecast future leverage ratio calculations by reference to historical budgeting accuracy and most recent financial performance; assessing whether consistency of the forecasts used to management estimates made across the group.
Key observations	Based on the work performed we concluded that the classification of shareholder loan notes is appropriately stated.

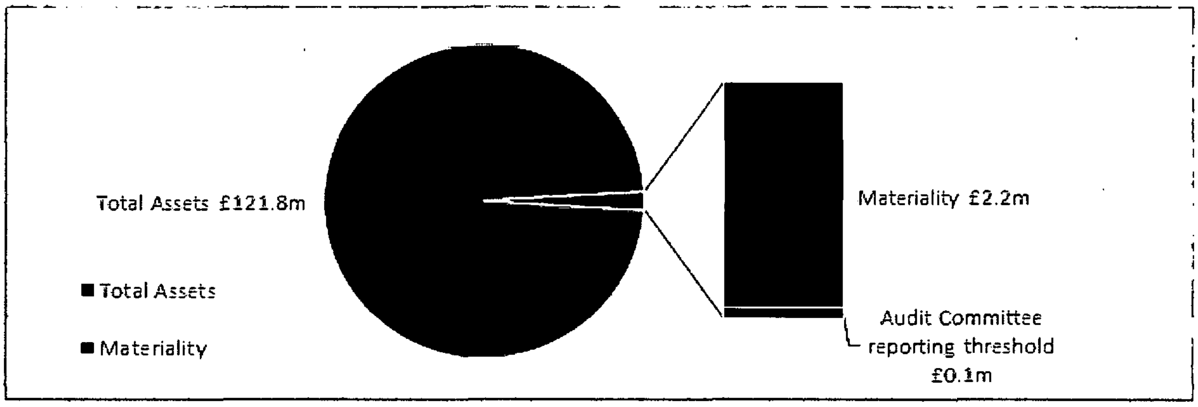
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2.2m (2019: £1.9m)
Basis for determining materiality	1.8% of Total Assets, (2019: 1.8% of Total Assets)
Rationale for the benchmark applied	We determined materiality based on total assets as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by total asset value movements..



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

a. Our risk assessment, including our assessment of the Company's overall control environment;
b. Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and
c. The impact of Covid-19 on the Company, in respect of its influence on the Company's underlying trading subsidiaries' performance and the requirement for many of its processes and controls around financial report to be executed remotely.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.1m (2019: £0.1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained in the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the classification of shareholder loans. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statement. The key laws and regulations we considered in this context included the UK Companies act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Company's underlying subsidiaries' operating licence with the UK Gambling Commission and Betting Regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified the classification of shareholder loans as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements';
- Enquiring of management concerning actual and potential litigation and claims;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reading minutes of meetings of those charged with governance ;
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

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.

David Perry (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

22/04/2021

Fence Midco Limited

Profit and loss account
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		-	-
Operating result		-	-
Interest payable and similar charges	3	(11,020)	(9,642)
Interest receivable and similar income	4	10,588	9,287
Net interest expense		(432)	(355)
Loss before taxation	5	(432)	(355)
Tax on loss	8	-	-
Loss for the financial year		(432)	(355)

The above results were derived from continuing operations.

Fence Midco Limited

Statement of comprehensive income
For the year ended 31 December 2020

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss for the financial year	(432)	(355)
Total comprehensive loss for the year	(432)	(355)

Fence Midco Limited

Balance sheet
As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Fixed assets			
Investments	9	7,783	7,783
		7,783	7,783
Current assets			
Debtors			
– due within one year	10	111,987	94,412
Cash at bank and in hand		2,012	2,005
		113,999	96,417
Creditors: Amounts falling due within one year	11	-	(6)
Net current assets		113,999	96,411
Total assets less current liabilities		121,782	104,194
Creditors: Amounts falling due after more than one year	12	(123,195)	(105,175)
Net liabilities		(1,413)	(981)
Capital and reserves			
Called-up share capital	13	78	78
Profit and loss account		(1,491)	(1,059)
Shareholders' deficit		(1,413)	(981)

The financial statements of Fence Midco Limited (registered number 09840382, England and Wales) were approved by the board of directors and authorised for issue on 22 April 2021.

They were signed on its behalf by

A Byrne
Director

Fence Midco Limited

Statement of changes in equity
For the year ended 31 December 2020

Equity attributable to equity shareholders of the company

	Called-up share capital (note 13) £'000	Profit and loss account £'000	Total £'000
At 1 January 2019	78	(704)	(626)
Loss for the year	-	(355)	(355)
Total comprehensive loss	-	(355)	(355)
At 31 December 2019	78	(1,059)	(981)
Loss for the year	-	(432)	(432)
Total comprehensive loss	-	(432)	(432)
At 31 December 2020	78	(1,491)	(1,413)

Fence Midco Limited

Notes to the financial statements
For the year ended 31 December 2020

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and prior year.

a. General information and basis of accounting

Fence Midco Limited is a private company limited by share capital and incorporated in England and Wales under the Companies Act. The address of the registered office is 5 Fleet Place, London, England, EC4M 7RD.

The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

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 Fence Midco 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.

Fence Midco Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate 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 preparation

Fence Midco Limited 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. Under section 400 of the Companies Act 2006, Fence Midco Limited has taken an exemption from preparing consolidated accounts.

c. Going concern

The principal risks to the company highlighted by the COVID-19 pandemic are those which impact the horseracing and sport industries, specifically a further lockdown. To manage and mitigate the potential impact of this risk, management has restructured the group's financial borrowings, creating additional headroom, and implemented an in-depth cost reduction programme. The group's forecasts and projections, taking account of reasonably possible changes in trading performance and a further cessation of horseracing and sport, show that the group should be able to operate within the level of its existing facilities.

The directors have noted the financial loss recorded during the year under review, the structure of the loan agreements and group funding arrangements in place mean that the entity is expected to be loss making and therefore a letter of support has been provided by the ultimate parent company, Fence Topco Limited. This letter confirms that the group will continue to provide financial support to enable the company to meet their liabilities as they fall due for at least 12 months, and will not demand any repayment of any intercompany balances due during the period except that such payments can be made while the company continues to settle its third party liabilities. The Directors, who are also directors of Fence Topco Limited, have considered Fence Topco Limited's ability and commitment to provide this support and are satisfied that it will continue to be provided.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

d. 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.

1. Accounting policies (continued)

d. Financial instruments (continued)

(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 company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

1. Accounting policies (continued)

d. Financial instruments (continued)

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

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.

(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.

e. 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.

Financial assets

For financial assets carried at amortised cost, the amount of an 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.

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.

Fence Midco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2020

1. Accounting policies (continued)

f. 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.

g. Revenue recognition

Interest income is recognised using the effective interest rate method.

h. 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.

1. Accounting policies (continued)

h. Foreign currency (continued)

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.

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 board do not consider that there are any critical judgements requiring disclosure other than those which impact the wider group, details of which are provided in the Fence Topco Limited accounts.

Key sources of estimation uncertainty

Shareholder loan notes – current and non-current allocation

Whilst the Shareholder loan notes are repayable on demand, this is subject to a clause which states that they are only required to be repaid to the extent permitted by the Senior Facilities Agreement, which is determined by the group's adjusted leverage ratio. The projected adjusted leverage ratio therefore determines the split of Shareholder loan notes between current and non-current liabilities as the company is reliant on access to funds from group entities to finance repayment of Shareholder loan notes.

Management have forecast future leverage ratios based on latest performance and cash flow projections. Considering relevant sensitivities, Shareholder loan notes are classified entirely as non-current as at 31 December 2019 and it would require either a £5.7m increase in budgeted 2020 EBITDA or a £14.1m increase in budgeted cash balances in order for a reclassification from non-current to current liabilities to occur.

3. Interest payable and similar charges

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Interest payable on loan notes	10,974	9,609
Write off of prepaid finance arrangement fees	17	33
Interest payable on rollover loan notes to parent	-	-
	10,991	9,642

4. Interest receivable and similar income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Interest receivable from fellow subsidiaries	9,528	8,322
Interest receivable on rollover loan notes from fellow subsidiaries	1,053	957
Interest on cash deposit	7	8
	10,588	9,287

5. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is £432,000 (2019: £355,000 loss).

Administrative costs for the year totaling £5,000 (2019: £5,000) have been charged to a fellow group company, Fence Bidco Limited and further recharged to group operating entities as appropriate in accordance with that company's managed services agreement.

Auditor's remuneration in respect of the audit of the financial statements is calculated at £10,000 (2019: £10,000). The cost has been borne by a fellow group company, Spotlight Sports Group Limited and not recharged.

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statement of the parent company.

6. Staff numbers and costs

The company had no employees during the year (2019: nil).

7. Directors' remuneration and transactions

The directors who held office during the year did not receive or accrue emoluments in respect of their services to the company (2019: nil). All remuneration was settled by other group companies.

8. Tax on loss

The tax charge comprises:	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current tax on loss on ordinary activities		
UK corporation tax	-	-
Double tax relief	-	-
Foreign tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Current year	-	-
Effect of decrease in tax rate on opening liability	-	-
Effect of intangible asset amortisation	-	-
Adjustments in respect of prior years	-	-
Total deferred tax	-	-
Total tax on loss on ordinary activities	-	-

The main rate of UK corporation tax has remained at 19% throughout the current financial year.

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

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. However, at Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. Taxes and deferred taxes at the balance sheet date have been measured using these tax rates and reflected in these financial statements.

Fence Midco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2020

8. Tax on loss on ordinary activities (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Company loss on ordinary activities before tax	(432)	(355)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	(82)	(67)
Effects of:		
- Expenses not deductible for tax purposes	38	75
- Income not taxable in determining taxable profit	-	-
- Group relief surrendered for nil consideration	(974)	(8)
- Deferred tax not provided	1,018	
Company total tax charge for the year	-	-

9. Fixed asset investments

The company's investments comprise the entire ordinary share capital of Fence Holdco Limited, a holding company incorporated in United Kingdom and registered in England and Wales. The registered address of this subsidiary is 5 Fleet Place London, England EC4M 7RD. The company also holds rollover loan note instruments, also issued by Fence Holdco Limited which attract interest at 10% per annum.

	31 December 2020 £'000	31 December 2019 £'000
Fence Holdco Ltd	7,783	7,783
Carrying value	7,783	7,783

Subsidiary undertakings	Country of incorporation	Principal activity	Holding %
Fence Holdco Limited 5 Fleet Place, London, England, EC4M 7RD	England and Wales United Kingdom	Holding company	100 % Ordinary shares of £0.01

10. Debtors

	31 December 2020 £'000	31 December 2019 £'000
Loan receivable from fellow subsidiaries	108,090	91,562
Prepayments	-	-
Other debtors	3,897	2,850
	111,987	94,412

The debt owed by the fellow subsidiary accrues interest at 10% per annum. It is repayable on demand albeit with a stated final repayment date of 31 December 2025. The principal amount was advanced to Fence Holdco in September 2016 to finance the purchase of the 'Racing Post' group. Other debtors comprise interest receivable on rollover loan notes owed by the fellow subsidiary.

11. Creditors – amounts falling due within one year

	31 December 2020 £'000	31 December 2019 £'000
Other creditors	-	6
	-	6

12. Creditors – amounts falling due after more than one year

	31 December 2020 £'000	31 December 2019 £'000
Shareholder loan notes	83,654	76,607
Payment in Kind notes	12,628	12,628
Rolled up interest payable	26,894	15,921
Rollover loan note instruments	19	19
	123,195	105,175

Shareholder loan notes of £83.6m (2019: £76.6m) are shown net of non-current prepaid debt establishment costs of £0.5m (2019: £0.5m).

Prepaid debt establishment costs are amortised over the term of the shareholder loan notes being nine years, three months to 31 December 2025. Cumulative costs amortised are £0.1m.

Borrowings are repayable as follows:

	31 December 2020 £'000	31 December 2019 £'000
Loan notes and PiK notes and interest payable thereon		
Between one and two years	-	-
Between two and five years	-	-
After five year	123,195	105,175
On demand or within one year	-	-
	123,195	105,175

Shareholder loan notes of £77.2m were issued by Fence Midco Limited on the 15 September 2016 with a final repayment date of 31 December 2025, on 11 June 2020 a further £7.0m were issued. The notes consist of A and B series notes with both classes of instruments attracting an interest rate of 10%. On the 22 December 2016, the Series A notes were listed at cost of £69.5m on the Channel Islands Securities Exchange. Corresponding debt establishment costs comprising bank and professional fees of £0.6m are being amortised over the life of the loans.

Whilst the Shareholder loan notes are repayable on demand, this is subject to a clause which states that they are only required to be repaid to the extent permitted by the Senior Facilities Agreement. Under group finance facilities documentation, there are restrictions on the upstreaming of cash out of the banking group to Fence Midco Limited to enable settlement of the notes which is determined by the groups adjusted leverage ratio. This adjusted leverage ratio determines the split of Shareholder loan notes liabilities between current and non-current creditors. Management have forecast future leverage ratios based on latest performance and cash flow projections. Considering relevant sensitivities, Shareholder loan notes are classified entirely as non-current as at 31 December 2020 and it would require either a £5.7m increase in budgeted EBITDA or a £14.1m increase in budgeted cash balances in order for a reclassification from non-current to current liabilities to occur.

Fence Midco Limited

Notes to the financial statements (continued)
For the year ended 31 December 2020

13. Called-up share capital and reserves

	31 December 2020		31 December 2019	
	No.	£'000	No.	£'000
Fence Midco Limited				
Ordinary shares of £0.01 each				
Allotted, called up and fully paid				
Balance at the beginning of the year	7,822,489	78	7,822,489	78
Issued in the year	-	-	-	-
Balance at the end of the year	7,822,489	78	7,822,489	78

The company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

14. 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.

15. Controlling party

The company's immediate parent undertaking is Fence Topco Limited, a company registered in England and Wales.

In the opinion of the directors, the company's ultimate controlling entity at 31 December 2019 was Exponent Private Equity Partners III LP, a limited partnership incorporated in Great Britain and registered in England and Wales. The smallest and largest group in which the company is consolidated, and ultimate parent company was Fence Topco Limited whose registered office is 5 Fleet Place, London, England, EC4M 7RD. The consolidated financial statements are available from Companies House https://beta.companieshouse.gov.uk/ .