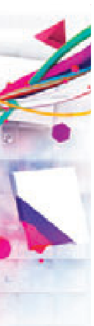
Future
MEDIA WITH PASSION

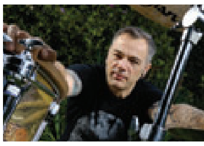
**Future plc**
Annual Report
and Accounts 2011

# Digital **Future**








## Group financial highlights

Year ended 30 September 2011

£141.7m
**Revenue** 2010: £151.5m

£6.6m
**EBITAE** 2010: £10.1m

0.7p
**Adjusted earnings per share** 2010: 2.4p

0.5p
**Dividends** 2010: 1.1p

EBITAE represents operating profit before amortisation and impairment of intangible assets, and exceptional items, as shown on page 10 along with other key figures in the statutory results.

Adjusted earnings per share are based on statutory results, but exclude amortisation and impairment of intangibles, exceptional items and related tax effects.

## Who we are and what we do

Future creates multi-media products designed to appeal to the high-value, loyal audiences which our advertisers and commercial partners need to reach. We are famous for compelling content combined with outstanding design – in print and online – produced by leading specialists. Our digital skills in the tablet and smartphone space enable us to engage our audiences in a more integrated way than ever before: in print, online and – increasingly – on the move.

Our mission is to continue to deliver beautifully produced magazines in print and digital formats, and to make our websites and mobile products an indispensable part of our readers' daily lives.

We have operations in the UK, US and Australia creating 200 special-interest publications, apps, websites and events. We hold market-leading positions in Games, Movies, Music, Technology, Cycling, Automotive and Crafts.

## Contents

# Chairman's statement

Future will be run as an integrated business, no longer as separate UK and US operations. This change recognises that digital markets are global in nature.

Peter Allen, Chairman

Future has delivered disappointing results in the past financial year, in line with previous announcements. As a result, the Board took decisive action to address the key problems, and to carry out a restructuring of the Group. It also appointed a new Chief Executive and Group Finance Director to eliminate significant cost and to take the business in a new direction.

The reorganisation saw the departure of Stevie Spring as Chief Executive and John Bowman as Group Finance Director, both of whom had made a valuable contribution to the refocusing and stabilisation of the business in recent years. They leave with our thanks.

The Board recognised the strong performance of Future's UK operation and in particular the digital innovation there, which has built on both the strength of its market positions and quality of its content to deliver new products and generate impressive digital revenue growth. We therefore asked the UK CEO, Mark Wood, and his Finance Director, Graham Harding, to step up to lead the business.

This change enabled us to eliminate an expensive layer of central corporate cost. The new management, supported by the Board, is subsequently taking out further costs in the US as it integrates a previously separate, sub-scale subsidiary into a business which will be focused on selling the full range of its content into the US and other major world markets.

Given their experience and success in the UK operation, we have great confidence in the new leadership and their ability to manage the transition to new business models at speed and within a tightly managed cost base.

We expect to see the Group return to profit growth in the year ahead.

### Financial performance

2011 results show Group revenue of £141.7m (2010: £151.5m) and EBITAE of £6.6m (2010: £10.1m). This disappointing performance was caused mainly by sharply reduced print copy and advertising sales in the US. Exceptional items in the year totalled £4.8m (2010: nil) and relate to restructuring costs, property provisions and other one-off costs, reflecting lower headcount. The ongoing restructuring will lead to further exceptional cash costs estimated at £1.9m in the current year.

The Group has taken a non-cash impairment charge of £17.1m (2010: nil) against the carrying value of the intangible assets relating to the Group's US subsidiary to reflect more accurately the value of that business.

After this charge, amortisation of intangibles of £1.2m (2010: £2.7m) and net financing costs of £1.5m (2010: £1.8m), the Group recorded a pre-tax loss of £18.0m (2010: pre-tax profit of £5.6m).

Basic Earnings Per Share (EPS) were a loss of 5.9p (2010: earnings of 1.7p) and adjusted EPS were 0.7p (2010: 2.4p).

### Financing & Dividend

We are pleased to have secured the continuing support of our banks with the extension of our loan facility until November 2013.

Borrowings have increased from £7.4m to £11.8m this year and will increase further in the first half of 2012 as we finalise the reorganisation. Thereafter we should be cash generative again.

In this context, the Board announced a dividend holiday until Group borrowings have reverted to less than two times Bank EBITDA, which we anticipate happening at the beginning of the 2013 financial year.

The interim dividend of 0.5p (2010: 0.5p), which was paid on 3 October 2011, was therefore the only dividend payment relating to the year.

### Board

I am delighted to have been appointed Chairman of Future in August. During the past year, the Board has been significantly refreshed with the arrival of Mark Whiteling in November 2010, who chairs the Audit Committee, and Manjit Wolstenholme in February 2011, who is our Senior Independent Director. Seb Bishop, who has been a Board member since 2007, provides a valuable digital and entrepreneurial perspective to the business. Mark Wood and Graham Harding complete the current Board membership.

I would like to thank the previous Chairman, Roger Parry, for more than a decade of service to Future, during which he steered the company through some turbulent and difficult periods. I would also like to thank Patrick Taylor and Michael Penington, who retired from the Board in February, for their invaluable contributions as Directors of the company.

### Summary

The current Board is satisfied that it has taken appropriate steps to put Future in a better position to continue to achieve exciting growth in digital markets and that it has put a management team in place which is capable of reversing the company's recent decline and transforming its growth prospects. We look forward to the year ahead with growing confidence and anticipation following a very difficult period.

# Future at a glance

## Business highlights and facts

Future employs 1,100 people in the UK, US and Australia, delivering English-language content 24 hours a day, seven days a week, from Video Games to Movies, from Cycling to Music-Making, from Photography to Fast Cars.

**2.9m**

**Future sells 2.9 million magazines each month**

**No.1**

**Cycling publisher worldwide**

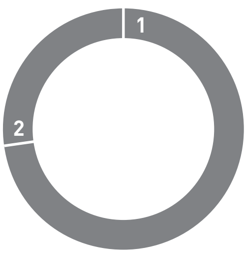
**No.1**

**UK magazine licensor**

**100**

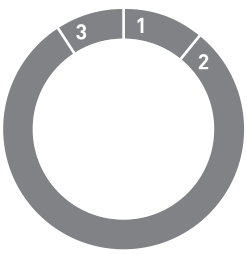
**Digital products launched on tablet this year**

## Global revenues




**Revenue split by source**

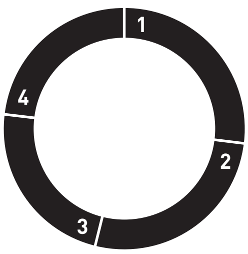
1. UK 73%
2. US 27%




**Revenue split by media**

1. Digital 11%
2. Print 80%
3. Customer Publishing 9%

## A balanced portfolio




**Our magazines, digital properties and events are managed across four portfolio sectors:**

1. Technology 27%
2. Games 27%
3. Music & Movies 23%
4. Active 23%

**Portfolio**
For each sector, we create multi-media products that inform, entertain and unite passionate communities. Our aim is to be the number one provider of content in our specialist sectors, and to be the partner of choice for those companies that wish to do business with the consumers who congregate around that content.

**Digital**
We publish copies of magazines through Zinio and via the Apple Newsstand, and we also publish richer, interactive digital editions, tailor-made for the iPad and other tablets.

Our portfolio of websites provides complementary content, built around our pillar 'Radar' web properties in our core sectors.

## Technology

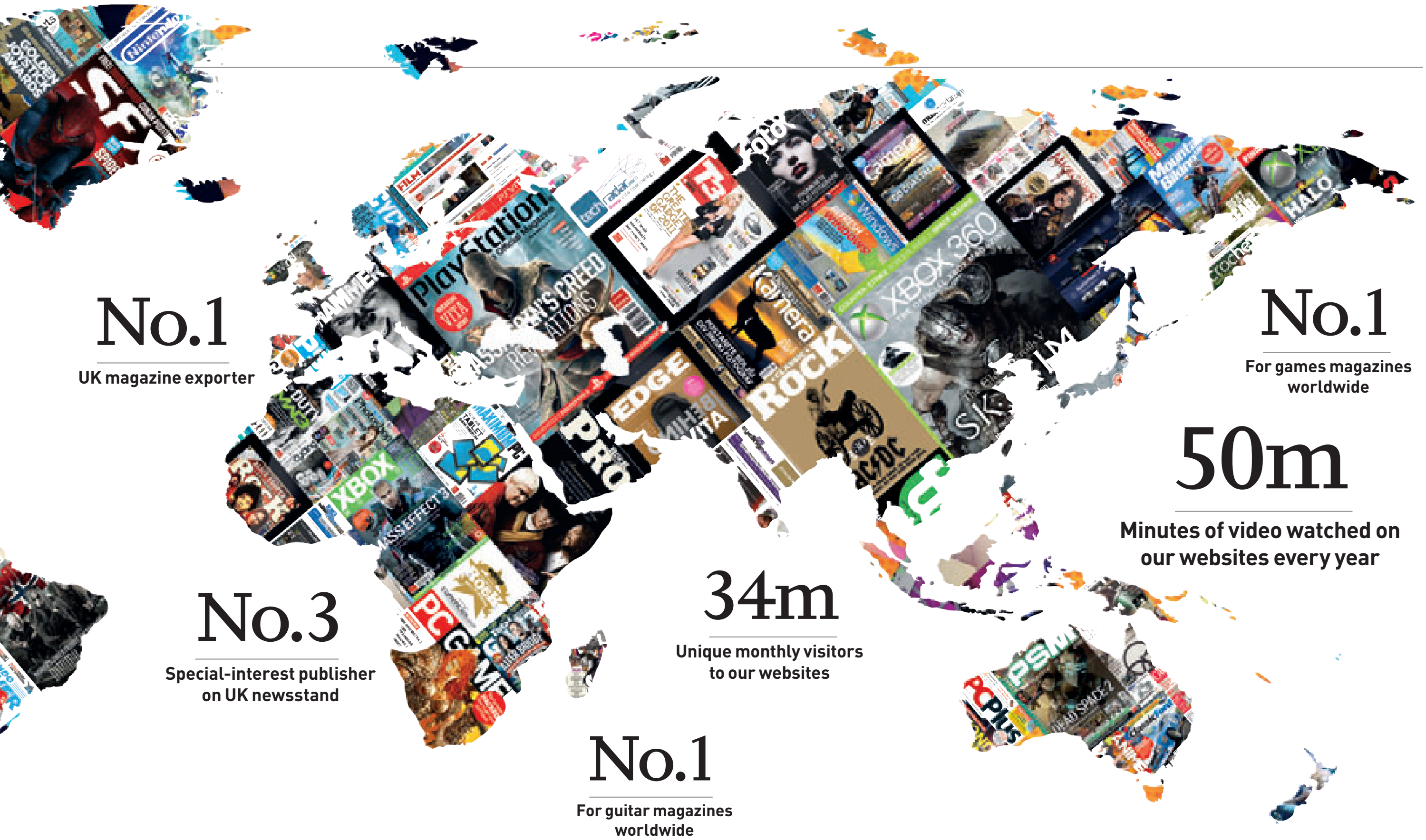
**Consumer electronics, computing, photography, digital creative**

Future's sector-leading technology portfolio is constantly innovating, reflecting the fast-moving markets in which it operates. We reach more technology enthusiasts than ever before through print, digital and events. Our portfolio includes:

**In print and on digital tablet:** *T3*, *MacLife*, *MacFormat*, *Tap!*, *Maximum PC*, *Linux Format*, *Digital Camera*, *Practical Photoshop*, *PhotoPlus*, *.net*, *Computer Arts*, *Windows: The Official Magazine*

**In digital:** *techradar.com*, *T3.com*, *gizmodo.co.uk*, *maximumpc.com*, *maclife.com*, *T3 edition for iPad*, *Tap! edition for iPad*, *MacLife Tablet edition*

**Face-to-face:** *T3 Gadget Awards*, *Digital Camera Photographer of the Year Awards*, *.net Awards*




## Games

**Console and PC Gaming**

Future holds a unique position in the global games media market, combining the strongest games industry partnerships with an innovative multi-channel approach. We are the only games media owner with audience reach across print, online, apps, cover discs, mobile, on-console and events. Our portfolio includes:

**In print and on digital tablet:** *Xbox 360: The Official Magazine, Official PlayStation Magazine, Official Nintendo Magazine, Nintendo Power, PC Gamer, Edge, GamesMaster*

**In digital:** *gamesradar.com, computerandvideogames.com, pcgamer.com, Qore, Access TV*

**Face-to-face:** GamesMaster *Golden Joystick Awards*

## Music & Movies

**Film, music**

Future is the biggest guitar publisher in the world and the biggest music-making publisher in both the US and the UK. In film, Future is one of the UK's leading publishers, with a strong multi-platform portfolio across print, online, video, mobile, apps and events. Our portfolio includes:

**In print and on digital tablet:** *Classic Rock*, *Metal Hammer*, *Guitarist*, *Total Guitar*, *Rhythm*, *Computer Music*, *Total Film*, *SFX*

**In digital:** *musicradar.com, totalfilm.com, sfx.co.uk*

**Face-to-face:** *Classic Rock Roll of Honour, Golden Gods Awards, Metal Hammer Live Tours, High Voltage Festival*

## Active

**Sports, automotive, hobbies & crafts**

Active comprises a broad range of active and crafting properties. Future's depth and reach of content makes us the world's number one cycling publisher. In automotive, we are leaders in performance tuning and sports bikes with over 80,000 fans attending our events annually. Our craft portfolio continues to lead through innovation and inspiration. Our portfolio includes:

**In print and on digital tablet:** *Procycling*, *Cycling Plus*, *Mountain Biking UK*, *Triathlon Plus*, *Fast Bikes*, *Fast Car*, *Total Vauxhall*, *Mollie Makes*, *Simply Knitting*, *CrossStitcher*, *Your Family Tree*, *Your Knitting Life*

**In digital:** *bikeradar.com*, *cyclingnews.com*, *themakingspot.com*, *weheartcraft.co.uk*

**Face-to-face:** *Stitch & Craft Show*, *TRAX*, *Total Vauxhall Live*, *Ford Fair*

## Licensing & Exports

We produce mainly English-language content and our international business has two routes to market: licensing/syndication and export/digital copy sales. Our diverse, multi-platform portfolio gives us great opportunities to exploit our original product all around the globe.

Future's approach is based on the cornerstones of strong partnerships, innovation and passion. It is a formula that works: we are the UK's number one magazine licensor and exporter, licensing or exporting our products to 89 countries throughout the world.

# Chief Executive's review

Future has become a leader among publishers in driving digital transformation. It is now well positioned for rapid expansion of its online and mobile businesses, which will be the drivers of the company's profit growth.

Mark Wood, Chief Executive

**Overview**

Future delivered disappointing results for the past year, in line with previous announcements. While the UK business showed resilience in challenging conditions, the US operations tipped back into loss, pulling down the Group's overall final results.

However, over the same period, Future has become a leader among publishers in driving digital transformation. It is now well positioned for rapid expansion of its online and mobile businesses, which will be the drivers of the company's profit growth.

We have taken swift action to reorganise the company, merging our UK and US operations, and creating a single global product line. These changes enable us to operate more efficiently and will get our US business back to profitability by FY13.

These actions also mean that we can accelerate our transition to a digital business model. Instead of seeing our business constrained by geography and defined by separately focused UK and US operations, we will now sell our entire range of high-quality content into the borderless digital markets opening up worldwide.

Our aim is to see the US operation transformed from loss-maker, and the US market become one of the key drivers of profit growth from Future's current product line.

The key to the change is that new digital channels, such as the Apple iPad, are rapidly opening up new routes to international markets in which our niche products can quickly build a loyal following. Future's success on the Apple Newsstand – with more than six million downloads of our apps in the month of launch alone – has demonstrated our ability to develop and deliver digital products at high speed. It also underlines the global appeal of our content, ranging from Cycling, Games and Technology to Music, Movies and Digital Design.

Meanwhile, digital advertising revenues from websites and mobile devices are showing strong and sustainable growth.

A new Future business is taking shape and we have the content, products and skills to make it a success.

**Results**

The results for 2011 show a decline in full year revenue of 6% and a reduction in Group EBITAE from £10.1m to £6.6m. Exceptional costs of £4.8m have been incurred, mainly as a result of the restructuring actions taken in the period, predominantly in the UK. Further exceptional costs will be incurred in respect of central costs and the US business in the current financial year.

The UK operation, representing 73% of revenues, was resilient in challenging market conditions, delivering revenues of £103.4m – down just 2% from 2010, and EBITAE of £12.5m – down 3%. This is a good result in a period when most publishers saw print sales decline. Future also saw sales of its magazines in retail outlets fall, but this was largely offset by strong growth in UK digital revenues, which were 36% up year-on-year.

In contrast, US revenues were down 13% at $62.4m (2010: $72.0m) and the operation delivered an EBITAE loss of $5.6m. Newsstand print sales fell 32% and print advertising fell 21%. These were partially offset by growth in digital revenues – up 25%, and our customer publishing operation, Future Plus, saw growth of 30%.

**Reorganisation**

We have carried out reorganisations and restructuring in both the UK and US. The departures of several senior executives have contributed to cost savings, as have other headcount reductions. The changes in the UK enabled us to reduce resources dedicated to print and create headroom to bring in digital expertise. Overall we are reducing operating costs across the Group by an estimated annualised £4.5m by the end of FY12.

We have also introduced a new hub and spoke production model which means more agility and efficiency in the way we produce content. This model enables us to stretch resources across titles more efficiently and manage an integrated UK-US production process. This is key to more cost-efficient content management and flexible use of outsourced production.

We are migrating the US business to a predominantly digital model and have taken steps to de-risk remaining print properties. We will improve the margins of residual print titles by merging production with the appropriate teams in the UK.

**A year of fast progress towards a digital world**

Future operates market-leading websites in the Games, Technology, Cycling and Music sectors, and traffic has grown significantly over the past year: we are now generating over 34 million unique visits each month. Digital revenues grew by 31% in the period.

*TechRadar.com* – the UK's leading consumer technology news and reviews website – has shown particularly impressive growth, nearly doubling revenues and generating a margin close to 50%.

We have launched or upgraded more than 25 websites in the year, and recently launched new e-commerce platforms in the Crafts sector: *www.themakingspot.com* and *www.weheartcraft.co.uk*.

# 6m

**Future apps downloaded worldwide**

in the first month of the Apple Newsstand

In the past year, Future has launched over 100 digital titles on the iPad and other tablets. *T3*, our mainstream gadget magazine, is one of the UK's most successful iPad magazines, selling over 18,000 digital editions each month. And Future has developed its own app creation software, FutureFolio, which we are already licensing to other publishers.

We have developed our own in-house video production capability, making short-form video a core part of our Technology, Games, Cycling and Movie products. Video generates higher advertising rates and has become an essential component of interactive tablet editions.

We have continued to demonstrate efficient management of our print portfolio, selling or closing a number of titles in the audio-visual and automotive areas, and launching three new magazines in the UK. One of them, *Practical Photoshop*, immediately became market leader in its sector.

Another, *Mollie Makes* – a new craft and lifestyle magazine for women aged 18–35 – was one of Future's most successful launches ever, with early editions sold out and trading on eBay at six times the cover price. *Mollie Makes* was designed and pre-launched via blogging on relevant specialist websites and has set a template for ways we can use blogs and social media – including Facebook – to plan and pre-publicise new digital and print products.

### Building our business around high-value audiences

The spread of broadband connections and proliferation of tablet devices are opening up entirely new digital markets for fast-moving content producers. For Future, this is a golden opportunity. Niche content businesses can flourish in this environment. Suddenly we can deliver content to enthusiasts in places we could never reach when restricted by the need to print, ship and deliver physical magazines. Those audiences may be cyclists in the US, Linux programmers in Korea or rock music fans in Japan.

Future's previous silo structure meant we never realised the full potential of our high-value digital content outside the UK market. Yet we have clear evidence of how great that potential can be. Nearly a third of *TechRadar's* monthly seven million unique visitors are already in the US. We now plan to roll out a US-customised version of *TechRadar* as a high priority so that we can monetise that interest.

Following that, we have immediate plans to expand our Games and Cycling digital businesses in the US and then look at Photography, Movies, Music and Digital Design. Our new business model enables us to utilise our high-quality US commercial and editorial teams to manage a succession of product roll-outs in the coming months.

Apple Newsstand statistics reveal *Total Film*, *Fast Car*, *T3* and many of our Games and Music titles all have large global audiences. Some of our specialist B2B products, such as those aimed at the animation and web design industries, have far bigger audiences in the US and Asia than in the UK. Overall, 75% of our sales through Apple Newsstand have come from outside the UK. These figures point the way for our business growth.

We are an information and entertainment source in fast-growing markets. Future's products typically reach affluent enthusiasts who become loyal members of the communities around our magazines or digital offerings. We also provide valuable news and trusted advice to people seeking information to guide decision-making, whether that is about which movie to go and see or what new smartphone to buy.

The common theme among all our audiences is that they are highly attractive to advertisers.

As well as selling advertising around our content, we are also increasingly able to develop valuable commercial partnerships with retailers, generating transaction royalties or producing interactive advertising for our partners. Meanwhile, the in-house skills which have powered our digital growth are now driving our customer publishing business, Future Plus. Its UK and US operations are increasingly based around providing pioneering multi-platform content, products and services. Customers range from Best Buy and Coats & Clark in the US to Tesco, $O_2$, Canon and Page & Moy in the UK.

### Current trading outlook

Given the recessionary trends in the broader economy and the pace of change in the publishing industry we remain cautious about overall prospects for print and digital content businesses. But we believe Future is well positioned to seize opportunities as they emerge, above all in the fast-changing digital markets.

The Board has supported steps taken by management to reduce headcount and overall cost levels in the UK, and subsequently in the US as well. The result will be an integrated, more efficient and more focused business.

Trading in the first two months of FY12 has been in line with our expectations.

# 75%

**sales from outside the UK**

through the Apple Newsstand

### Summary

The new management team has taken fast and decisive action to restructure the business, manage costs down and accelerate transition into digital growth areas.

- UK + US – we are creating a unified business, delivering significant efficiencies and revenue opportunities.
- Digital – we are creating a unified digital product line to leverage global audiences and exposure to online advertising.
- Print – we are managing circulation declines where they occur proactively, efficiently and effectively.
- Content – in our chosen markets we are leveraging our content to generate new and incremental revenue streams, including through our customer publishing operation, Future Plus.

Future has a dynamic culture which is enabling us to reinvent the company at speed.

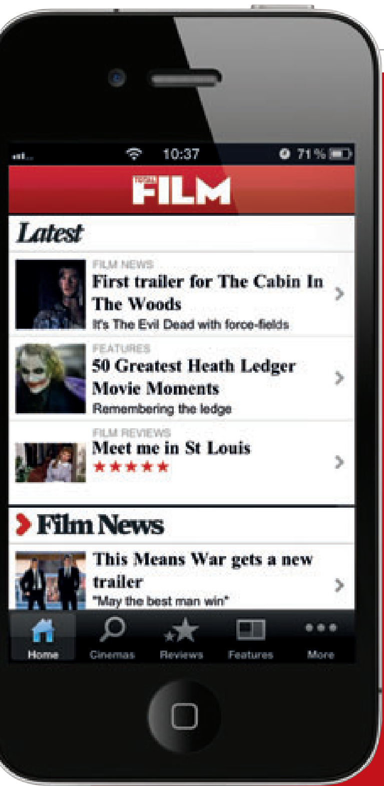
We have assembled a strong management team on both sides of the Atlantic. We are eager to exploit new technologies and apply Future's creativity, design flair, intellectual property and commercial skills to growing entirely new digital opportunities.

Importantly, we have a company which is full of talent and ambition to succeed. Despite a challenging year, our people have the energy, focus and commitment to help us build a bigger multi-platform business and make Future a global leader in the digital world. As the Chairman has said, we look forward to the year ahead with growing confidence.

I am confident we have the skills, the content and the determination to make Future a global leader in the digital content world.

Chief Executive's review continued

# Building a borderless business




Future reaches valuable audiences and keeps them engaged with high-quality expert content packaged with some of the best design skills in the media business. A world-class digital team enables Future to lead the way in delivering products quickly and efficiently to new platforms like the Apple Newsstand for iPads and iPhones.

Future is a leading digital and print publisher in Cycling, Video Games, Technology, Music, Crafts, Cars and a wide range of specialist professional niches such as web design, animation, software development and digital music-making.

Future is the number one UK magazine exporter and the number one UK magazine licensor – with brands licensed to 89 countries across the world.

Future sells 2.9 million magazines each month. Our websites engage over 34 million unique users every month, and our brands have over 1.3 million Facebook fans.




## Our Audiences

Future produces high-quality content which engages, entertains and informs high-value audiences. And we do it on every platform – magazines, online, tablets and smartphones.

Across our entire portfolio – Technology, Games, Music, Creative, Craft, Auto and Sport sectors – our readers are typically people who advertisers and retailers are keen to reach.

### Loyal communities of enthusiasts

From *Metal Hammer* to *Mollie Makes*, our brands are beacons for consumers who have a hobby or passion and we reach them in print, online and on the move. Our products are hubs for the like-minded to share their passions; our editorial teams are themselves all experts in their fields, sometimes gurus. They drive a loyalty which is the envy of many other content providers. That expertise may be in computer design, cycling, knitting or electronic music – in the entire portfolio we produce content for magazines, websites, tablets and smartphones which the target audience just cannot do without. And, thanks to the penetration of tablets and broadband, we are now reaching more of those audiences in different parts of the world. We are also developing more ways to offer them useful content and services and, simultaneously, expand the number of revenue streams we can develop.

### Mainstream grazers

Alongside the loyalists, many of our brands deliver a vital service for more mainstream consumers, who are looking for a trusted source of information and advice. From the product reviews of the latest cameras, laptops and tablet devices on *TechRadar.com*, to movie reviews on the *Total Film* mobile site.

### People who buy

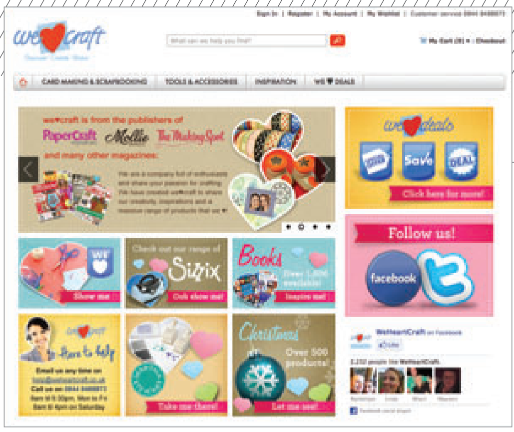
What unites the loyal enthusiasts and the mainstream grazers is that both are more likely than average to make purchases or to influence others who do. Visitors to *TechRadar.com* buy phones, cameras, laptops. Our cycling readers regularly upgrade their kit. And that goes for all our verticals, whether they cover games, guitars, auto tuning, genealogy, craft, stitching or knitting, a sector in which we have also launched two e-commerce platforms to sell patterns and also sell kit to enthusiasts.

### B2B professionals

We produce content for a number of highly specialist business sectors with brands like *Linux Format* and *MacLife* or design titles like *.net* and *Computer Arts* – the world's best-selling magazine for digital artists and designers – and *3D World*, the world's most popular brand for professionals in the fast-growing animation industry.

### The global opportunity

Whether consumer or business, our audiences are growing fast, thanks to the impact of new technologies like smartphones and tablet devices. Within a month of the launch of the Apple Newsstand magazine platform for iPad and iPhone in October 2011 more than six million Future magazine apps had been downloaded across 60 brands and 75% of sales from this channel are coming from overseas. The US makes up almost 40% of sales while countries as diverse as France, Germany, China and Korea are buying our English-language product via tablets. As tablet availability rapidly expands, entirely new channels to global markets are opening up for our digital content – delivered in a truly borderless marketplace.


## Digital Acceleration

Technological development is redefining how consumers want to engage with our brands. The multiplicity of content platforms allows us to provide our current audiences with a richer and deeper experience of our brands, as well as reaching new international audiences for our niche content.

:: Future is now recognised as a leader in the field of digital publishing and was named Consumer Publisher of the Year at the annual Association of Online Publishers Awards in the UK in 2011 – the first magazine publisher to win the award.

:: Our web and mobile sites deliver over 160 million page impressions every month to over 34 million unique users around the world.

:: This year we have launched or upgraded more than 25 websites.

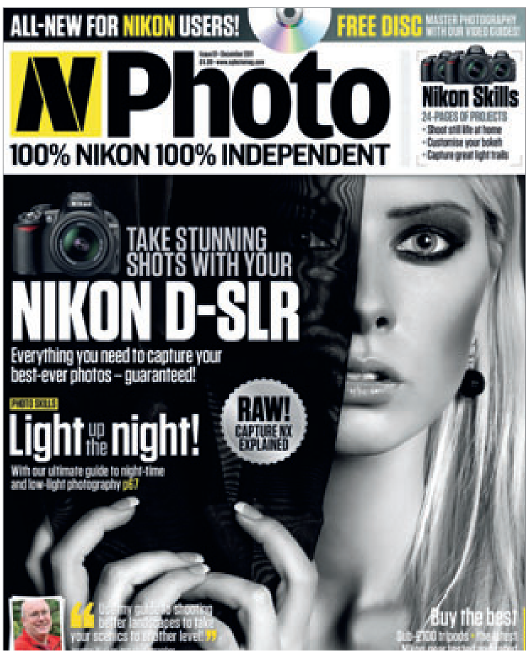
:: We deliver more than 100 digital editions on the rapidly growing iPad platform. *T3*, our lifestyle and gadget title, has been consistently the most popular lifestyle magazine on the iPad in the UK throughout 2011. We deliver simple magazine replicas and interactive digital editions for brands like *T3* and *Guitarist*. We have also produced one-off premium iPad apps like Alice Cooper's *Welcome 2 My Nightmare* CD/fan magazine and a repackaged video tutorial app for Photoshop users.

:: Future is harnessing the power of social media channels both as hubs for our communities and to market our products to new audiences. Across our portfolio, our Facebook pages now generate over 2.7 million monthly page impressions – with *Metal Hammer* alone clocking up over 285,000 friends globally.

:: We utilise social networks, blogs and websites to develop both print and digital products. This is a revolutionary step in print launch management. For example, community editors on *Mollie Makes*, a lifestyle and craft title for women aged 18–35, developed the concept for the magazine via websites, blogs and Facebook. As a result *Mollie Makes* was one of our most successful launches ever. *N-Photo*, a magazine for Nikon camera users, evolved in the same way and had 40,000 Facebook followers before the first edition even hit the newsstands.

:: Video is now integral to our products online and on tablets. We produce video channels for our Technology, Games, Cycling and Movie brands. Our video content is now generating almost 4.2 million minutes of viewing every month.

:: E-commerce is an increasingly important revenue opportunity. Our affiliate revenues increased by 70% in the past year and we launched two new e-commerce platforms in the craft sector: *www.weheartcraft.co.uk* and *www.themakingspot.com*.





AOP 2011 WINNER




## Partnership

Future works with a wide range of leading international partners. It has a unique position in the Video Games sector, is a leading customer publisher and licenses its content to 69 media businesses internationally.

:: Future has always had strong publishing partnerships, above all in the Games market, where we are official partners to Sony, Microsoft and Nintendo in print, online and on console. We have also developed a major customer publishing business in the UK and US – Future Plus.

This year Future extended our long and successful relationship with Sony with the introduction of Access TV – a new weekly HD video show available on console; and with a new website, *officialplaystationmagazine.co.uk*.

:: Our Future Plus customer publishing business produces magazines, websites and tablet apps for a number of major US and UK clients, including Best Buy, Coats & Clark, Page & Moy, Canon, ODEON, $O_2$ and Tesco. Increasingly, Future is seen as a provider of multi-platform solutions, able to deliver content on paper, on tablet, online and on smartphones.

:: Future's International Licensing and Syndication business is built on strong international partnerships. Future is the UK's leading licensor, and we have agreements in place for reproduction of Future content with 69 media businesses, selling licensed editions in 89 markets. *T3* alone has 21 international print editions. Future this year began producing German-language news for Stern.de, a leading German website – and will expand its German production in the year ahead.

# Financial review

"2011 was a challenging year for the Group, but we are taking swift action to restructure the business to enable us to operate more efficiently going forward."

Graham Harding, Group Finance Director

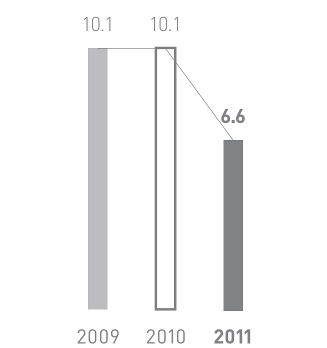
### Introduction

This financial review is based on a comparison of the Group's results for the year ended 30 September 2011 with those for the year ended 30 September 2010. In running the business operationally management use a number of Key Performance Indicators (KPIs) which are set out in some detail opposite. One of the most important of those indicators is earnings before interest, tax, impairment, amortisation and exceptional items which is referred to as EBITAE.

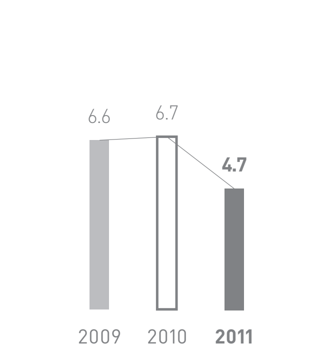
An overview of the financial results for the year is set out below:

| Year ended 30 September | 2011 £m | 2010 £m |
|---|---|---|
| Revenue | **141.7** | 151.5 |
| EBITAE | **6.6** | 10.1 |
| Exceptional items | **(4.8)** | – |
| Impairment of intangible assets | **(17.1)** | – |
| Amortisation of intangible assets | **(1.2)** | (2.7) |
| Operating (loss)/profit | **(16.5)** | 7.4 |
| Net finance costs | **(1.5)** | (1.8) |
| (Loss)/profit before taxation | **(18.0)** | 5.6 |
| Taxation | **(1.3)** | (0.1) |
| (Loss)/profit after taxation | **(19.3)** | 5.5 |
| Basic (loss)/earnings per share (p) | **(5.9)** | 1.7 |
| Adjusted earnings per share (p) | **0.7** | 2.4 |
| Dividends relating to the year (p) | **0.5** | 1.1 |

**EBITAE** (£m)




**EBITAE margin** (%)




### Key Performance Indicators

The table below shows the KPIs for 2011 and 2010. These have recently been reviewed by the Board following the changes in the management team and after considering the implications of the Companies Act 2006 and other regulations and guidance in this area.

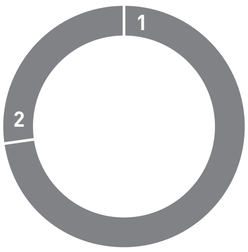
| | 2011 | 2010 |
|---|---|---|
| **Corporate KPIs** | | |
| EBITAE | **£6.6m** | £10.1m |
| Year-on-year movement in EBITAE | **-35%** | 0% |
| **Digital KPIs** | | |
| Number of Unique Users logging onto our websites | **30m (see note)** | 23m (see note) |
| Year-on-year movement in digital revenues | **+31%** | +16% |
| Number of digital magazines sold per month (thousands) | **35** | 2 |
| Digital subscriber base (thousands) | **50** | 4 |
| **Print KPIs** | | |
| Number of magazines sold per month | **2.9m** | 3.4m |
| Print subscriber base (thousands) | **1,126** | 1,319 |
| Copies sold as a percentage of copies printed (including subscriptions) | **55%** | 59% |
| Year-on-year movement in print advertising revenues | **-16%** | -9% |

**Note**
For each of our websites we know the number of page impressions and the number of unique visitors to that website. We do not know how many unique visitors visit more than one of our websites. The number presented here is the simple total of each website's number of unique visitors at the end of the financial year.

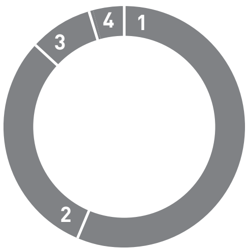
## Revenues

Total revenues were down £9.8m or 6% (£8.9m or 6% in constant currency) to £141.7m in the year.

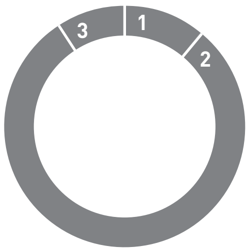
The charts below analyse Group revenues:



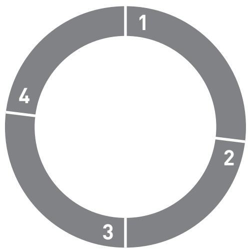

**Revenue by country**
1. UK 73%
2. US 27%




**Revenue by type**
1. Circulation 57%
2. Advertising 30%
3. Customer Publishing 9%
4. Licensing, events and other 4%




**Revenue by media**
1. Digital 11%
2. Print 80%
3. Customer Publishing 9%




**Revenue by sector**
1. Games 27%
2. Music and Movies 23%
3. Technology 27%
4. Active 23%

The tables below analyse Group revenues in sterling:

| By country | % of Group | 2011 £m | 2010 £m | Change % |
|---|---|---|---|---|
| UK | **73%** | **103.4** | 105.9 | -2% |
| US | **27%** | **38.8** | 46.2 | -16% |
| Intra-group | **–** | **(0.5)** | (0.6) | |
| **Group revenue** | **100%** | **141.7** | 151.5 | -6% |

| By media | % of Group | 2011 £m | 2010 £m | Change % |
|---|---|---|---|---|
| Digital | **11%** | **16.2** | 12.4 | +31% |
| Print | **80%** | **113.4** | 127.5 | -11% |
| Customer publishing | **9%** | **12.1** | 11.6 | +4% |
| **Group revenue** | **100%** | **141.7** | 151.5 | -6% |

| By type | % of Group | 2011 £m | 2010 £m | Change % |
|---|---|---|---|---|
| Circulation | **57%** | **80.7** | 88.7 | -9% |
| Advertising | **30%** | **43.4** | 45.4 | -4% |
| Customer publishing | **9%** | **12.1** | 11.6 | +4% |
| Licensing, events & other | **4%** | **5.5** | 5.8 | -5% |
| **Group revenue** | **100%** | **141.7** | 151.5 | -6% |

| Proportion of Group 2011 | UK | US | Group |
|---|---|---|---|
| Games | 14% | 13% | 27% |
| Music & Movies | 17% | 6% | 23% |
| Technology | 21% | 6% | 27% |
| Active | 21% | 2% | 23% |
| **Total** | 73% | 27% | 100% |

## EBITAE

The reduction in revenues, which was largely driven by the US performance, gave rise to a corresponding reduction in EBITAE which was down £3.5m or 35% to £6.6m. A breakdown of EBITAE by territory is shown below:

| | 2011 £m | 2010 £m | Change % |
|---|---|---|---|
| UK | **12.5** | 12.9 | -3% |
| US | **(3.5)** | 0.2 | Loss from profit |
| Central costs | **(2.4)** | (3.0) | +20% |
| Total EBITAE | **6.6** | 10.1 | -35% |

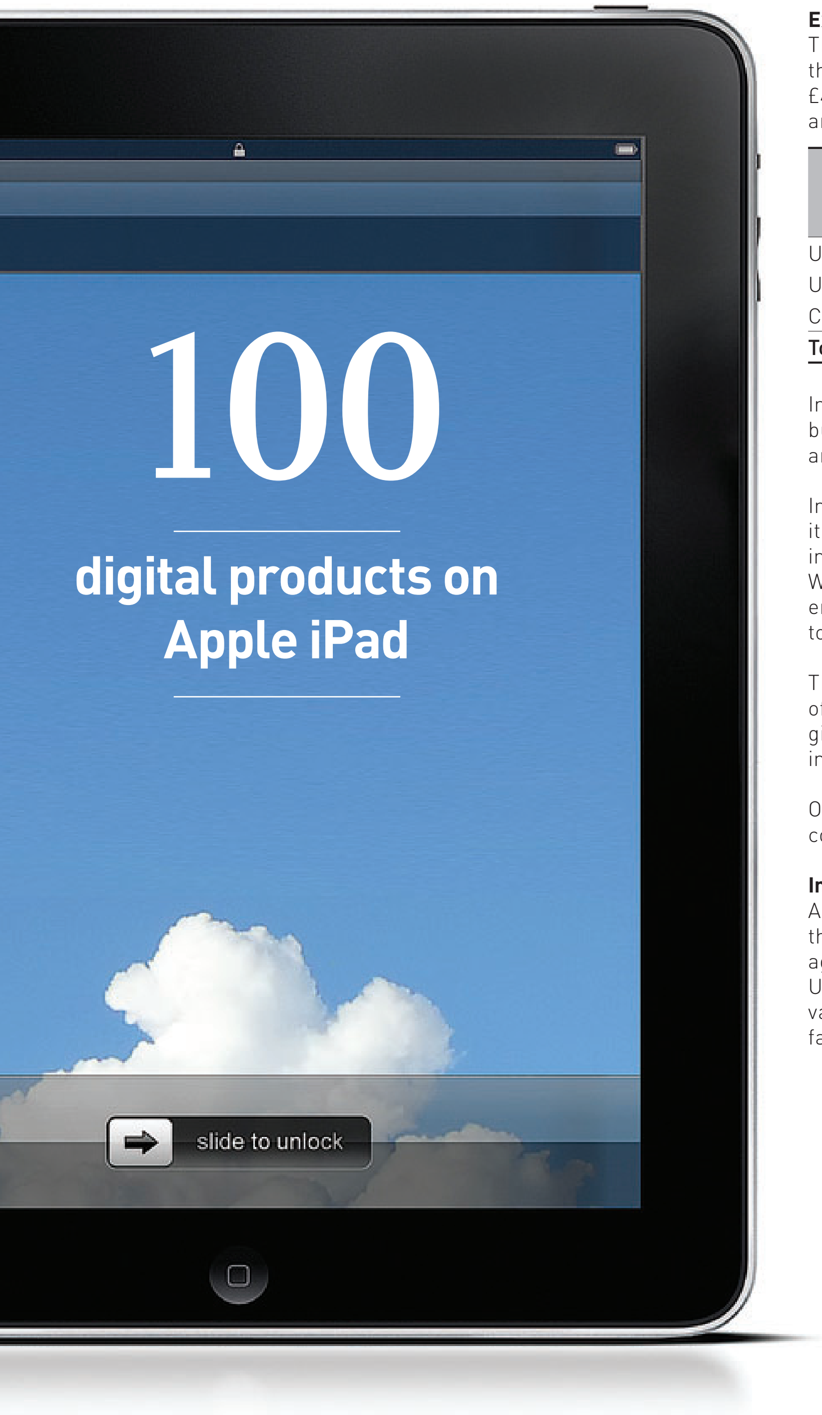
Further analysis of the key drivers behind the reduced level of EBITAE is provided in the table opposite which analyses the year-on-year variance across digital activities, print activities, customer publishing activities and overheads.

This table illustrates the impact of the transitional effect from print to digital and the success that the UK business has had to date in managing that transition.

| £m | UK | US | Central | Group |
|---|---|---|---|---|
| Digital | +2.1 | +0.8 | – | +2.9 |
| Print | -2.6 | -4.7 | – | -7.3 |
| Customer publishing | – | +0.1 | – | +0.1 |
| Overheads | +0.1 | +0.1 | +0.6 | +0.8 |
| Change in EBITAE | -0.4 | -3.7 | +0.6 | -3.5 |

The restructuring actions taken in the UK towards the end of the financial year should ensure that the business continues to be able to manage that transition. For the US the transition has been much more pronounced and therefore more difficult to manage, resulting in some of the restructuring actions undertaken in the year and the further actions planned in the current year.

# Financial review continued




### Exceptional items

The exceptional items incurred in the year relate mainly to the restructuring actions in the UK and the US and amount to £4.8m in total, split between restructuring/redundancy costs and vacant property provisions, as set out in the table below:

| | Provision for unoccupied property £m | Restructuring /redundancy costs £m | Other costs £m | Total £m |
|---|---|---|---|---|
| UK | 1.5 | 1.9 | 0.1 | 3.5 |
| US | – | 0.4 | – | 0.4 |
| Central | – | 0.1 | 0.8 | 0.9 |
| **Total** | **1.5** | **2.4** | **0.9** | **4.8** |

In the UK, this has been focused on repositioning resources in the business to enable it to pursue digital opportunities more quickly and efficiently and this restructuring is substantially complete.

In the US, as noted above, the different print business model with its greater reliance on advertising has been more significantly impacted by the challenging economic and operating environment. Whilst some restructuring actions were taken in the year ended 30 September 2011, the new management team are working to restructure the operations further in the new financial year.

This ongoing restructuring plan combined with the departure of the former Chief Executive and Group Finance Director will give rise to further exceptional cash costs, which are estimated in the region of £1.9m, in the year ending 30 September 2012.

Other costs in the year ended 30 September 2011 relate to ongoing commercial dispute resolution.

### Impairment of intangible assets

As a result of the performance in the year of the US business, the Group has taken an impairment charge of £17.1m in the year against the carrying value of the intangible assets relating to the US business. This is a non-cash charge which restates the carrying value to a level which is representative of the current estimated fair value of that business based on current trading levels.

**Group performance for year ended 30 September**

| | 2011 Revenue £m | 2011 Contribution £m | 2011 Margin % | 2011 % of revenue | 2010 Revenue £m | 2010 Contribution £m | 2010 Margin % |
|---|---|---|---|---|---|---|---|
| Games | **39.2** | **7.7** | **20%** | **27%** | 43.0 | 9.0 | 21% |
| Music & Movies | **32.4** | **5.7** | **18%** | **23%** | 34.9 | 7.9 | 23% |
| Technology | **37.8** | **9.0** | **24%** | **27%** | 41.5 | 10.9 | 26% |
| Active | **32.8** | **8.2** | **25%** | **23%** | 32.7 | 7.1 | 22% |
| | **142.2** | **30.6** | **22%** | **100%** | 152.1 | 34.9 | 23% |
| Less: intra-group | **(0.5)** | **–** | | | (0.6) | – | |
| | **141.7** | **30.6** | | | 151.5 | 34.9 | |
| Overheads | | **(24.0)** | | | | (24.8) | |
| EBITAE | | **6.6** | **4.7%** | | | 10.1 | 6.7% |
| Exceptional items | | **(4.8)** | | | | – | |
| Impairment | | **(17.1)** | | | | – | |
| Amortisation | | **(1.2)** | | | | (2.7) | |
| Operating (loss)/profit | | **(16.5)** | | | | 7.4 | |

**UK performance for year ended 30 September**

| | 2011 £m | 2010 £m | Change % |
|---|---|---|---|
| Circulation revenue | **64.6** | 66.5 | -3% |
| Advertising revenue | **28.1** | 27.9 | +1% |
| Customer publishing | **5.9** | 6.7 | -12% |
| Licensing, events & other | **4.8** | 4.8 | 0% |
| Total revenue | **103.4** | 105.9 | -2% |
| EBITAE | **12.5** | 12.9 | -3% |
| EBITAE margin | **12.1%** | 12.2% | |

Future's UK business (comprising 73% of Group revenue) remained resilient. Following a decline in first-half revenues of 3%, revenues in the second half declined by only 2% so that revenue for the year was down 2% compared with 2010.

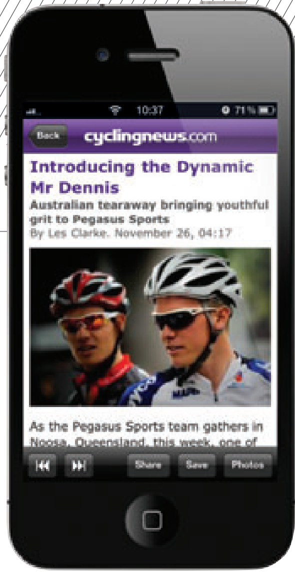
EBITAE for the year was £12.5m, representing a margin of 12.1% of revenue. This is a similar operating margin as in 2010 (12.2%).

This performance is encouraging in a media sector that continues to experience very significant advertising and newsstand challenges and reflects the underlying strength of our special-interest business, our continuing focus on operating performance in each sector and our ability to mitigate revenue disappointments swiftly.

Circulation revenue fell by 3% and within this, subscription revenue remained flat. Domestic newsstand revenue declined 6% and export revenue was flat.

Advertising revenue grew by 1% for the year, largely due to the growth in digital advertising exceeding the decline in print advertising.

# Financial review continued





The strongest year-on-year performance in the UK came from Active, driven by websites *cyclingnews.com* and *bikeradar.com* and growth in print titles led by *Cycling Plus*.

The following table shows the UK performance by sector:

| | 2011 Revenue £m | 2011 Contribution £m | 2011 Margin % | 2011 % of revenue | 2010 Revenue £m | 2010 Contribution £m | 2010 Margin % |
|---|---|---|---|---|---|---|---|
| Games | 19.9 | 5.1 | 26% | 19% | 21.5 | 5.9 | 27% |
| Music & Movies | 24.0 | 5.7 | 24% | 23% | 24.5 | 6.3 | 26% |
| Technology | 29.8 | 8.9 | 30% | 29% | 31.0 | 9.0 | 29% |
| Active | 29.7 | 8.3 | 28% | 29% | 28.9 | 7.3 | 25% |
| | 103.4 | 28.0 | 27% | 100% | 105.9 | 28.5 | 27% |
| Overheads | | (15.5) | | | | (15.6) | |
| EBITAE | | 12.5 | 12.1% | | | 12.9 | 12.2% |
| Exceptional items | | (3.5) | | | | – | |
| Amortisation | | (0.4) | | | | (1.3) | |
| Operating profit | | 8.6 | | | | 11.6 | |

**US performance for year ended 30 September**

| | 2011 $m | 2010 $m | Change % |
|---|---|---|---|
| Circulation revenue | 25.8 | 34.6 | -25% |
| Advertising revenue | 24.8 | 27.3 | -9% |
| Customer publishing | 9.9 | 7.6 | +30% |
| Licensing, events & other | 1.9 | 2.5 | -24% |
| Total revenue | 62.4 | 72.0 | -13% |
| EBITAE | (5.6) | 0.3 | Loss from profit |
| EBITAE margin | (9.0)% | 0.4% | |

US revenue fell 13% in dollar terms, reflecting the closure of our Pregnancy group, a 12% further decline in print advertising, and a 31% reduction in sales at newsstand.

Total advertising revenue fell by 9%, as the growth in digital advertising of 21% was less than the reduction in print advertising.

Customer publishing recorded strong revenue growth through contracts with Best Buy and Coats & Clark.

The following table shows the US performance by sector.

| | 2011 Revenue $m | 2011 Contribution $m | 2011 Margin % | 2011 % of revenue | 2010 Revenue $m | 2010 Contribution $m | 2010 Margin % |
|---|---|---|---|---|---|---|---|
| Games | **31.1** | **4.1** | **13%** | **50%** | 33.5 | 4.9 | 15% |
| Music & Movies | **13.4** | **–** | **–** | **21%** | 16.2 | 2.5 | 15% |
| Technology | **12.9** | **0.1** | **1%** | **21%** | 16.3 | 3.0 | 18% |
| Active | **5.0** | **(0.1)** | **(2)%** | **8%** | 6.0 | (0.3) | (5)% |
| | **62.4** | **4.1** | **7%** | **100%** | 72.0 | 10.1 | 14% |
| Overheads | | **(9.7)** | | | | (9.8) | |
| EBITAE | | **(5.6)** | **(9.0)%** | | | 0.3 | 0.4% |
| Exceptional items | | **(0.6)** | | | | – | |
| Impairment | | **(26.7)** | | | | – | |
| Amortisation | | **(1.2)** | | | | (2.1) | |
| Operating loss | | **(34.1)** | | | | (1.8) | |

**Taxation**
The Group continues to focus on compliance with all tax authorities in the territories in which it operates.

The taxation charge for the year amounted to £1.3m (2010: £0.1m), comprising a current taxation charge of £1.6m (2010: £1.0m credit) and a deferred taxation credit of £0.3m (2010: £1.1m charge). The 2011 charge arises in the UK where the standard rate of corporation tax is 27%. In the US the impact of current year and brought forward tax losses means that there is no material taxation charge relating to the US. Overall the effective rate for the Group when applied to the loss before taxation was -7%.

**Earnings per share**
Basic EPS for the Group were a loss of 5.9p (2010: earnings of 1.7p) whilst adjusted EPS were 0.7p (2010: 2.4p). The adjusted calculations are based on the (loss)/profit after taxation which is then adjusted to exclude exceptional items, impairment and amortisation of intangibles, and related tax effects. The adjusted profit after tax amounted to £2.2m (2010: £7.9m) and the weighted average number of shares in issue was 327.5m (2010: 327.3m). Full details are set out in note 10 on page 56.

**Dividend**
In light of the results for the year and the ongoing restructuring actions referred to in this report, the Board does not recommend the payment of a final dividend for the year ended 30 September 2011. This means that the dividend for the year is 0.5p, being the interim dividend which was paid on 3 October 2011.

Whilst the Board recognises that, based on the full-year adjusted EPS, the interim dividend at 0.5 pence per share paid on 3 October 2011 does not comply with its policy on dividend cover, it retains that policy for future dividends, namely that any such dividend should be covered at least two times by adjusted EPS.

**Cash flow and net debt**
Net debt at 30 September 2011 was £11.8m (2010: £7.4m) of which 77% was denominated in US dollars.

Cash generated from operations during the year ended 30 September 2011 amounted to £3.8m, a sharp fall from the £12.0m generated in the previous year driven by the weaker trading of the Group during the year. The other main cash inflow during the period related to taxation and amounted to £1.3m (2010: £1.2m). We expect to recommence tax payments during the current year.

Cash outflows exceeded the inflows in the year with the main outflows being in respect of:

- Dividends paid in respect of FY10 of £3.6m (2010: £1.6m);
- Capital expenditure of £3.6m (2010: £1.8m) of which £1.2m related to tangible fixed assets and £2.4m related to intangible fixed assets, the largest element of which was website development; and
- Net interest payments of £1.2m (2010: £1.4m).

As noted in the Chairman's report, the net debt position will increase further in the first half of the current year due to the payment of the interim dividend on 3 October 2011 and cash outflows relating to the restructuring costs. We have therefore put in place an extension to our banking facility to 30 November 2013 and renegotiated covenants and other terms for the next 12 months. Further details of the extension are set out in note 19 on page 63.

**Net finance costs**
Net finance costs amounted to £1.5m (2010: £1.8m). The reduction in costs reflected the greater balance of net debt denominated in US dollars during the year.

# Financial review continued

### Credit facility

During the year to 30 September 2011 bank debt was provided under the terms of the banking facility signed in May 2009 and due to mature in November 2012. Arrangement and other fees related to this facility totalled £1.0m and these are being amortised over the term of the facility. Interest payable is calculated as the cost of three-month LIBOR (currently approximately 0.7%) plus an interest margin of between 2.5% and 3.25%, dependent on covenant ratio.

Based on the calculation of 2011 EBITDA for bank purposes, the Group had headroom of £4.1m over and above the level of bank debt at 30 September 2011.

As noted above, on 21 November 2011 we agreed an extension of the current banking facility for 12 months to 30 November 2013. This extension provides the Group with flexibility in the short term to carry out the restructuring plans as set out in the Chief Executive's review. Fees relating to the extension amounted to £0.4m and these will be amortised over the remaining term of the facility.

Interest payable under the new banking facility is calculated as the cost of three-month LIBOR (as noted above) plus an interest margin of between 2.5% and 3.75%, dependent on covenant ratios, as set out in note 19 on page 63.

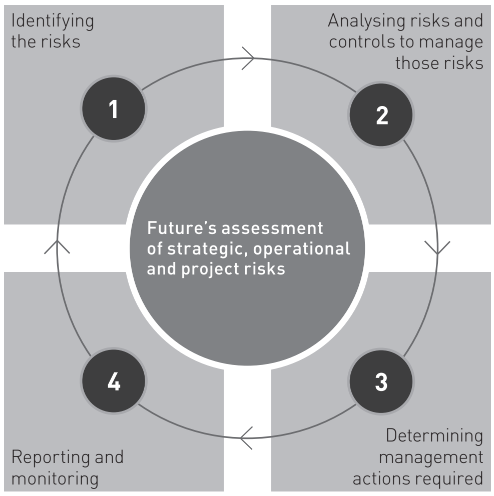
The Board is confident that it has sufficient headroom and flexibility under these revised covenants to execute its plans as set out in this report.




### Risk and uncertainties

Like all businesses, our business faces risks and uncertainties that could impact on the Group's achievement of its objectives. Risk is accepted as being a part of doing business. We operate a continuous process of identifying, evaluating and managing risk. There are a number of general business risks to which Future is naturally exposed in the UK and US and the range of risks faced by Future has increased since last year, due to the weakness of the economy in general, the nature of the business model in the US and the increasingly digital media landscape and its evolving business models.

Our internal controls seek to minimise the impact of risks, as explained in our Corporate Governance report on page 29 and during the year we have continued to develop our responses and business to reflect those changes.



## Risk management

| Risks | Description | Mitigation |
|---|---|---|
| **Economic environment** | The macro-economic environment in 2009–11 has been the worst in Future's history. In both the UK and the US, the outlook for economic growth is very limited and general trading conditions remain tough. The economic environment, as well as the general move to digital products, has resulted in printed magazine sales and print related advertising revenues falling. | The Company has proved more resilient than many of its competitors due to the nature of its special-interest content, although more so in the UK where it has greater scale than in the US. It continues to innovate, making available its special-interest content to consumers in new digital media. Whilst revenues per download are less than that of a printed version, reach is greater and the cost of production is less. Advertisers know that consumers want relevant adverts and a niche focus assists this. |
| **Innovation** | Future is producing products which are at the cutting edge of technology and it is having to invest in and develop new business models to allow it to do so. | Future has shifted its focus to the emerging digital world and is resourcing accordingly. Future is now well placed to exploit this new marketplace. |
| | Future faces retailer risks as it develops websites through which consumers can buy products directly. | Future seeks to minimise stock and product liability risk through partnerships, and trains its staff on relevant risks. |
| **Intellectual property** | In an increasingly digital world, protection of our intellectual property against piracy is key. | Future leads industry initiatives in relation to piracy and is actively involved in efforts to combat piracy at a national and European level. Future is using a copyright infringement portal which automates finding illegal copies – in September 2011, 80% of illegal copies found were successfully removed. |
| | Future uses, and grants licences to use, various types of third-party content including music, audiovisual material, images and text. As publisher, Future is responsible for any intellectual property or other infringement relating to the same and as licensor, Future is responsible to its licensees. | Future produces guidance and in-house training to educate its staff on the importance of obtaining appropriate rights or licences. Future's legal team reviews all significant licences relating to third-party content and seeks warranties and indemnities relating to the same. Future licences content to third parties based on standard contracts which seek to limit Future's liability. |
| | The Group produces 'official' magazines, which are published under licence from Microsoft, Sony, Nintendo and L'Equipe, and a number of contract published titles. Loss of any of these contracts would result in a loss of revenue. | The majority of the Group's revenues and profits are derived from the Group's own intellectual property. Future is not excessively reliant upon any one licensor of content. |
| **Staff** | There is a risk that key staff will move elsewhere due to the Group's limited ability to increase pay in the current environment and the Group's strong reputation in digital media makes its staff potentially attractive to competitors. | Future employs people who are passionate about their subject and Future invests in the training of those people. In addition, steps are taken to ensure that the Group is not excessively reliant upon any one employee. |
| **Business interruption** | As a result of the economic climate and reduced print volumes generally the cost of printing and raw materials including paper, ink and CD/DVD discs will potentially continue to increase. | Future is reducing its exposure to price increases by constantly reviewing pagination and paper requirements. It continues to develop its business innovatively and the growth in digital circulation revenues are now compensating for some of the decline in print circulation revenues. |
| **Financial, treasury and forecasting** | Forecasting remains difficult in all consumer markets but this is particularly the case in relation to innovative products. The long lag time for reporting on sales of printed copies in the US continued to be a challenge in the year. | Future's forecasting in respect of innovative products will become easier as those products develop a more consistent customer base and stable business models. |
| | Bad debt continues to be a risk due to the economic climate and the move to digital. | Future continues to manage its bad debt and is not excessively reliant on any one advertiser, licensee or other partner. |
| | The Group is exposed to interest and foreign exchange risk. | The Group manages interest and foreign exchange risk by hedging arrangements (see note 23 to the financial statements for more detail). |
| | Compliance with bank covenants. | We constantly monitor cashflows and profitability in the context of the bank covenants and recently extended our facility to provide greater flexibility (see note 19 on page 63). |
| **IT systems and integration** | In the event of a total network failure there would be a major impact on the production of magazines and operation of websites. | Future's network has diverse routes for all key offices. In addition, all core switches are duplicated in different buildings so there are no single points of failure. |
| | In the event of all servers failing or loss of server rooms, there would be a major impact on the production of magazines and maintenance of websites. | Servers are distributed across several controlled server rooms in different buildings. Future can switch services from one server to another within a few hours. In addition, all mission-critical services, have more than one server so there is no single point of failure. |
| | In the event of a total data loss there would be a major impact on the production of magazines and maintenance of websites. | All business-critical data is stored and fully duplicated on two highly resilient storage devices held in different locations. Either location can be lost without losing any of the data. |
| **Property** | Future's need for property in both the UK and the US has reduced. | Future is taking steps to sublet all vacant property and, where possible, make available more vacant space to sublet. The letting market in San Francisco is more buoyant, and London office space has recently been successfully sublet. |
| **Regulation** | Future's business is subject to a significant amount of legislation, including that relating to publishing. In the next financial year, changes to laws including those relating to cookies, consumer rights, data protection and the online environment are being imposed or suggested and these changes will require investment to ensure Future's compliance. | Future continues to monitor changes to relevant legislation. In respect of any new legislation brought into effect, Future drafts policies and procedures to ensure awareness and to encourage compliance. |

# Corporate responsibility

Corporate responsibility is integral to the way Future conducts its business. We focus our efforts around four key areas where we think we can make a difference.

The environment
Our people
The community
Corporate practice

Graham Harding, Group Finance Director, is the Director accountable for Corporate Responsibility (CR) and, with the rest of the Board, regularly assesses the business to ensure responsible actions throughout, and to identify and assess any risks to the Company's short-term and long-term value arising from CR matters.

On Future's behalf, Quartet funds local projects such as Ilford Arts. The project enables disadvantaged children from local schools to participate in drama and arts activities.

## The environment

A responsible approach to the environment is essential to ensure the future sustainability of our business.

Our Head of Production and Procurement plays an active role on the PPA (Professional Publishers' Association) Environment Committee.

Our environmental policy can be found on our website, *www.futureplc.com*.

**Sourcing paper**
Paper is the largest raw material we use as a Group. We work hard to make sure that whatever we consume, we do in a way that is ethically responsible and environmentally sustainable. In 2011, 100% of our paper across the Group was sourced from either recycled fibre or sustainable forests where at least one tree is planted for every tree felled. Future UK holds the FSC (Forestry Stewardship Council) Chain of Custody certification. This recognises Future's commitment to sourcing paper supplies from sustainable forests. In 2011, 75% of the paper we used in the UK was FSC certified. We actively encourage our suppliers to work towards FSC certification or one of the other internationally recognised and independently audited certification schemes for environmental care in forest management and conservation.

**Recycling and waste**
The Group is economically strongly incentivised to minimise unsold magazines and we employ sophisticated techniques to help achieve this. In the UK more than 90% of Future's unsold magazines are recycled. We also support the PPA's initiative encouraging readers to recycle their magazines after use and we incorporate the WRAP recycle logo in all our magazines. We comply with our obligations under the Producer Responsibility Obligations (Packaging Waste) Regulations. The disposal of waste materials is also included in our print supplier audit.

**Plastic packaging**
We have phased out plastic packaging of discs. In 2011, 70% of our retail bagging and all of our UK subscription bagging used oxi-biodegradable plastic film.

**Go Green**
Future runs an internal initiative aimed at improving awareness of recycling and energy saving in its UK offices. Driven by Future employees, the campaign encourages employees to use less and recycle more by providing information and recycling facilities. Every year, Go Green runs a Go Green Week to raise awareness of these initiatives and has a year-round campaign on the Company's intranet site. In the UK all of our office copier paper is FSC certified.

**Supplier audits**
We undertake environmental and ethical audits on our main suppliers. We also consider environmental aspects such as the processing and disposal of effluents, emissions and waste materials.

FSC www.fsc.org FSC® C007184 The mark of responsible forestry

Future in the UK holds FSC Chain of Custody certification. This recognises Future's commitment to sourcing paper supplies from well managed forestry.

Quartet community foundation

We have continued our partnership with Bath-based charitable foundation, Quartet.

recycle When you have finished with this magazine please recycle it.

We are members of the Periodical Publishers' Association (PPA) and support its initiative encouraging readers to recycle their magazines after use. We incorporate the recycle logo in all our UK magazines.

GoGreen

Future's employee initiative, Go Green, encourages staff to engage in environmentally sustainable practices.

## Our people

Future's employees are our most important assets; they are the driving force behind our success as a business.

| Data across the Group | 2011 | 2010 |
|---|---|---|
| Code of conduct circulated to all existing and new employees | **Yes** | Yes |
| Female employees as a percentage of workforce | **34%** | 35% |
| Female managers as a percentage of management | **29%** | 30% |
| Employment of young people under the age of 15 | **None** | None |
| Consultation and communication procedures in place for all areas of the business | **Yes** | Yes |
| Earnings meet at least legal minimum or minimum set by the industry | **Yes** | Yes |
| Cases of reported and proven discrimination or harassment | **None** | None |

**Developing our people**
In 2011 we ran skills training for our publishing teams, advertising and central support departments. In-house training sessions provide training for editors on commissioning, libel, defamation and copyright, as well as new software applications. We also provide ongoing online training, covering the key disciplines of online content development.

Training needs are identified as part of each employee's annual performance appraisal. However in 2011, due to the restructuring activities undertaken, the appraisal process was postponed for six months and will now fall in 2012.

**Health and safety**
The health and safety of all employees is a key priority for the Group. Future is largely an office-based environment. All companies across the Group comply with relevant legislation and we communicate our health and safety policy to all employees. During the year to 30 September 2011, there were no fatalities; no serious injuries; nine minor injuries in the UK and none in the US.

**Policy on disability**
The Company aims to ensure that when considering recruitment, training, career development, promotion or any other aspect of employment, no employee or job applicant is discriminated against, either directly or indirectly, on the grounds of disability. If an employee became disabled while in employment and as a result was unable to perform their duties, we would make every effort to offer suitable alternative employment and assistance with retraining.

**Internal communication**
Future has policies on employee communication; acceptable use of IT; health and safety; whistle-blowing and a commitment to diversity and opportunity. Our employees have access to free, confidential, employee well-being helplines.

In addition, we hold meetings for all employees at least annually, and extended leadership team meetings where we discuss the financial performance of the Company and the Group. Future UK also has an Employee Involvement Group, which allows employees to contribute to strategic level decision-making. Future's lively culture is echoed in our company intranets and via our printed monthly internal magazine which updates employees on industry and business news and celebrates team successes.

## The community

We actively support the communities in which we operate through charitable donations and by encouraging our people to get involved in community initiatives.

**Giving something back**
A key tenet of our charitable donation policy is to empower our employees to support charities of their choice. For this reason, we run a matched contribution scheme. Employees raise money for their chosen charity and Future matches this amount, subject to a reasonable limit and to qualification under the rules of the scheme. During the year £13,000 was paid under the charitable match scheme (2010: £16,000).

As well as the charity matching scheme, Future makes local charitable donations in the cities where we have offices. The total amount of charitable donations made by the Group in the year was £37,000 (2010: £39,000). In the UK, we continued our partnership with Bath-based charitable foundation, Quartet, who make donations to local charities on our behalf. In 2011, this amounted to £9,000. A donation of £2,017, profit from a competition organised by The Knitter, was made to MENCAP. At our US headquarters in South San Francisco, other charities supported include Slide Ranch, First Graduate, Belmont-Redwood Shores Public School Foundation, Joy Prom and AIDS Walk San Francisco. A donation of $10,000 was made to 2 Nite to Unite and $5,900 to Best Buy Classic.

**Future in the wider community**
Future people are actively involved with a number of national organisations including the Periodical Publishers' Association, European Magazine Media Association, Association of Online Publishers, NABS, European & Leisure Software Publishers Association, the IPA, the Marketing Society and the International Federation of the Periodical Press. We are also represented on The Bath Initiative, a public:private collaboration.

## Corporate practice

**Supplier payments**
The Group does not follow an external code on payment practice, but it is our policy to settle the terms of payment with suppliers when agreeing the terms of each transaction; to ensure that suppliers are made aware of the terms of payment; and to pay all suppliers when their invoices become contractually due for payment. The Company had no trade creditors at 30 September 2011 (2010: nil).

**Ethics and human rights**
Future supports the standards set out in the UN Global Compact on the Responsibilities of Business, and endorses the principle that no underage, forced, or prison labour should be employed; that no one is denied a job because of gender, age, sexual orientation, ethnic origin, religion, affiliation or association and that factories comply with laws protecting the environment. Our supplier audits include an ethical questionnaire. We work co-operatively with licensees and we do not participate in or support exploitative labour or other arrangements in any country.

**Political contributions**
In line with our company policy, we do not make contributions to any political cause.

**More information**
Our website *www.futureplc.com* includes information on our CR policies and practices.

# Board of Directors







Peter Allen ●◻◒
Independent non-executive Chairman

Peter joined Future as independent non-executive Chairman in August 2011. He has experience as Chairman, CEO and CFO. Peter is currently chairman of Proximagen Neuroscience plc, Chroma Therapeutics Limited and ProStrakan plc and a non-executive Director of Oxford Nanopore Technologies Limited and TMO Renewables Limited. He held executive positions with a number of companies prior to their sale, including Celltech Group plc, Abacus Group plc and ProStrakan Group plc.

Mark Wood
Chief Executive

Mark was named Chief Executive of Future plc in October 2011. He joined Future in April 2009 as an independent non-executive Director and was appointed as Chief Executive of Future UK in September 2010. Since then, Mark has been accelerating the growth of Future's digital business and in June 2011 Future won Consumer Digital Publisher of the Year and Grand Prix prizes at the annual Association of Online Publishers Awards. Prior to joining Future, Mark was Chief Executive of ITN, the television news organisation. At ITN he created and developed a range of digital ventures, including a world-leading moving image business. Prior to ITN, Mark was Editor-in-Chief and Head of Media at Reuters, the global news organisation. He started out his career as a foreign correspondent for Reuters and was based in Berlin, Bonn, Moscow and Vienna.

Graham Harding
Group Finance Director

Graham has worked at Future for 11 years, initially as Group Financial Controller, before becoming the UK Finance Director in 2004. During his time at Future he has worked on numerous acquisitions and disposals in the UK, Australia, Europe and the US as well as debt and equity fund raisings. In addition, he has taken a leading role in rolling out new system developments in the UK and the US. After obtaining a Classics degree from Durham University he trained with Price Waterhouse in Bristol and Johannesburg, South Africa before leaving to join Bath Press Group plc as Group Financial Controller. He gained an MBA from Bath University in 1999.

Manjit Wolstenholme ●◻◒
Senior independent non-executive

Manjit joined Future as senior independent non-executive Director in February 2011. She is a non-executive Director of Provident Capital and Regional plc, Provident Financial plc and Albany Investment Trust plc. After qualifying with Price Waterhouse, Manjit spent 13 years with Dresdner Kleinwort, latterly as co-head of investment banking specialising in the media sector. She was a partner at Gleacher Shacklock from 2004 to 2006. She is also a non-executive Governor of Manchester Academic Health Science Centre.

Seb Bishop ●◻
Independent non-executive

Seb joined Future as an independent non-executive Director in June 2007 and has been a member of the Remuneration committee from November 2008. A digital investor and entrepreneur, he is currently CEO of Goop. From 2008 to 2011 he was CEO of (RED) International. He was a founder of Espotting, which he sold to MIVA in 2004, and served as President until 2007. Seb is Chairman of Steak digital agency and a Director of AdJug.

Mark Whiteling ●◻◒
Independent non-executive

Mark joined Future as an independent non-executive Director in October 2010. Mark has a Master of Commerce degree and qualifications as both a New Zealand ACA and an American CPA. He is Chief Financial Officer of Autobar, the privately-owned international vending group. His experience includes time as Chief Financial Officer of FTSE 250 companies Premier Farnell plc and Tibbett & Britten plc; the role of Group Finance Director of Communisis plc; as well as roles at SmithKline Beecham in both the USA and Europe.

Mark Millar
Company Secretary and General Counsel

Mark has been Company Secretary and General Counsel since September 2002, covering all aspects of media law, including driving industry anti-piracy initiatives. He joined from Allen & Overy following more than a decade's experience of City legal work, including a wide range of UK and international commercial and corporate finance experience. He also acts as secretary to all the Board committees. He chairs the PPA's Government and Regulatory Committee, EMMA's copyright Taskforce, is chairman of the Publishers Licensing Society and serves as an industry representative on the board of the Copyright Licensing Agency.

● Member of the Nomination committee

◻ Member of the Remuneration committee

◒ Member of the Audit committee

As at 15 December 2011

# Directors' report

For the year ended 30 September 2011

The information presented in this Directors' report relates to Future plc and its subsidiaries. The Chairman's statement, Chief Executive's review, Financial review and Corporate Responsibility statement are each incorporated by reference into, and form part of, this Directors' report.

**Principal activity**
The principal activity of the Company and its subsidiaries (the 'Group') as a whole is the publishing of special-interest consumer magazines, apps and websites, notably in the areas of Games, Music & Movies, Technology and Active sectors.

The Company has subsidiaries operating in the UK, the US and Australia.

**Business review**
The purpose of the Annual Report is to provide information to the shareholders of the Company.

Reviews of the Group's activities during the year, the position at the year-end and developments since then are set out in the Chairman's statement, Chief Executive's review, the Corporate Governance report and the Financial review.

The Financial review explains financial performance, KPIs, the position at the year-end, any post balance sheet events, any likely future developments and a description of the principal risks and uncertainties facing the Group and how these are managed.

The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update those forward-looking statements.

**Result of 2011 Annual General Meeting**
All resolutions put to the Annual General Meeting held on 9 February 2011 were passed unanimously on a show of hands. Shareholders holding more than 83% of all issued shares submitted proxy votes and of these, more than 97% were cast in favour of all resolutions.

**Reported financial results**
The audited financial statements for the year ended 30 September 2011 are set out on pages 41 to 73. Details of the Group's results are set out in the consolidated income statement on page 42 and in the notes to the financial statements on pages 52 to 73.

**Dividends**
The Board's recommendation for suspending dividend payments is set out in the Chairman's statement and on page 15 of the Financial review, its unchanged policy on dividend cover is set out on page 15 and the restriction on dividend payments under the Company's bank facility agreement is set out in note 19 on page 63. The Company's Employee Benefit Trust (EBT) waives its entitlement to any dividends.

**Share capital (all Ordinary shares)**
The Company has a single class of share capital which is divided into Ordinary shares of one penny each. The rights and obligations attaching to the Company's Ordinary shares and provisions governing the appointment and replacement of, as well as the powers of, the Directors, are set out in the Company's articles of association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. Save for restrictions that may from time to time be set out in the Company's articles of association or imposed by laws and regulations (including the Listing Rules of the Financial Services Authority), there are no restrictions on the voting rights attaching to the Ordinary shares or on the transfer of the Ordinary shares. The articles of association may be amended only by a special resolution of the Company's shareholders.

Details of all movements in share capital are given in note 24 on page 69. As at 30 September 2011, the number of shares in issue was 328.8 million. This represents a small increase of 0.25% compared with the number of shares in issue as at 30 September 2010. All of the new shares were issued in satisfaction of employee share option exercises or share awards vesting during the year.

The Company was granted authority, at the Annual General Meeting held on 9 February 2011, to purchase up to 32,790,000 of its own shares, representing just under 10% of the Company's issued share capital as at 9 December 2010, the date the notice was prepared. The Company has never purchased any of its shares and the authority will expire following the end of the Company's Annual General Meeting to be held on 8 February 2012, at which a resolution to renew such authority is proposed. The details of the restriction on share buybacks under the Company's bank facility agreement is set out in note 19 on page 63.

**Significant shareholdings**
At 15 December 2011, the Company had been notified of the following significant interests in its Ordinary shares:

| Shareholder | Number of shares | Percentage of issued share capital |
|---|---|---|
| Schroders Plc | 60,862,283 | 18.51% |
| Aberforth Partners LLP | 59,241,848 | 18.01% |
| Fidelity International Limited | 39,677,762 | 12.07% |
| Investec Asset Management Ltd | 28,710,000 | 8.73% |
| Franklin Templeton Investments Corp | 16,663,407 | 5.07% |
| Gartmore Investments Limited | 16,446,486 | 5.00% |
| BT Pension Scheme Trustees Limited | 13,171,683 | 4.01% |
| Artemis Investment Management Ltd | 10,627,757 | 3.23% |
| | 245,401,226 | 74.63% |
| Directors' holdings | 732,891 | 0.22% |
| Total of significant holdings | 246,134,117 | 74.85% |
| Total number of shares in issue | 328,844,120 | 100% |

**Directors**
This year has seen significant changes to the Board which are described on page 26 of the Corporate Governance report.

Biographical details of the Directors holding office as at 15 December 2011 are set out on pages 20 and 21.

Directors' shareholdings in the Company's share capital are set out opposite. No Director has any interest in any other share capital of the Company or any Group company, nor does any Director have a material interest in any contract of significance to the Group.

## Significant agreements

The provisions of the European Directive on Takeover Bids (as implemented in the UK in the Companies Act 2006) require the Company to disclose any significant agreements which take effect, alter or terminate upon a change of control of the Company. In common with many other companies, the Group's bank facility (details of which are set out in note 19 on page 63) is terminable upon change of control of the Company. In common with market practice, awards under certain of the Group's long-term incentive plans (details of which are set out in the Directors' remuneration report on pages 33 and 34 and note 25 on page 69) will vest or potentially be exchangeable into awards over a purchaser's share capital upon change of control of the Company.

## Financial instruments

Information in relation to the Group's use of financial instruments is set out in note 23 on pages 65 to 68.

## Corporate governance

The Board supports best practice in corporate governance. The Board's report on this subject is set out on pages 26 to 31.

## Conflicts of interest

The Board has a set of procedures to ensure that: (i) conflicts of interest are raised by Directors (and any potential Directors prior to appointment); (ii) appropriate guidelines are followed before any conflict is authorised (including ensuring that only Directors who have no interest in the matter being considered will be able to take the relevant decision and in taking the decision the Directors act in a way they consider, in good faith, will be most likely to promote the Company's success); and (iii) records are kept of conflicts of interest and authorisations. The Directors are satisfied that the Board's powers of authorisation of conflicts are operating effectively and that the procedures have been followed. The procedures and any authorisations will continue to be reviewed annually.

## Directors' responsibility for accounts

The Directors are responsible for preparing the Annual Report, the Directors' remuneration 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 prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and the Company and of the profit or loss of the Group 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.

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 the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' shareholdings

| Directors in office at 30 September 2011 [4, 5, 6] | Balance as at 30 September 2010 | Purchases during the year | Sales during the year | **Balance as at 30 September 2011** |
|---|---|---|---|---|
| **Executive** | | | | |
| Stevie Spring[7] | 1,123,948 | 274,214[14] | – | **1,398,162** |
| John Bowman[8] | 863,242 | 18,281[14] | (80,000) | **801,523** |
| **Non-executive** | | | | |
| Peter Allen[11] | – | – | – | **–** |
| Seb Bishop | – | 17,000 | – | **17,000** |
| Mark Whiteling[9] | 200,000 | 200,000 | – | **400,000** |
| Manjit Wolstenholme[10] | – | 34,000 | – | **34,000** |
| **Total** | **2,187,190** | **543,495** | **(80,000)** | **2,650,685** |

Notes:
1. All holdings are beneficial.
2. Between 30 September 2011 and 15 December 2011 (being the latest practicable date prior to publication of this document) there were no changes to the holdings of serving Directors.
3. Details of the share options and awards for executive Directors are set out on page 38. There are no such options or awards for non-executive Directors.
4. Patrick Taylor ceased to be a Director on 9 February 2011 and at that time he held 200,000 shares.
5. Michael Penington ceased to be a Director on 9 February 2011 and at that time he held 391,000 shares.
6. Roger Parry ceased to be a Director on 28 September 2011 and at that time he held 596,590 shares.
7. Stevie Spring ceased to be a Director on 27 October 2011 and at that time she held 1,398,162 shares.
8. John Bowman ceased to be a Director on 27 October 2011 and at that time he held 801,523 shares.
9. Mark Whiteling became a Director on 8 October 2010 and at that time he held 200,000 shares.
10. Manjit Wolstenholme became a Director on 9 February 2011 and at that time she held no shares.
11. Peter Allen became a Director on 5 August 2011 and at that time he held no shares.
12. Mark Wood became a Director on 27 October 2011 and at that time he held no shares. Between 27 October 2011 and 15 December 2011 there was no change to his holding.
13. Graham Harding became a Director on 27 October 2011 and at that time he held 281,891 shares. Between 27 October 2011 and 15 December 2011 there was no change to his holding.
14. On 17 December 2010, following vesting on 25 November 2010 of the second half of their respective deferred share bonuses, the Company's Employee Benefit Trust was instructed to transfer 274,214 Ordinary shares to Stevie Spring and 18,281 Ordinary shares to John Bowman.

## Directors' report continued

**Corporate responsibility**
The Board considers that issues of corporate responsibility are important. The Board's report on this subject (including information and policies on charitable donations, political donations, employee involvement, payment of creditors and disability) is set out on pages 18 to 19.

**Annual General Meeting 2012**
At the Company's thirteenth Annual General Meeting, which will be held on Wednesday 8 February 2012 at 12 noon at 2 Balcombe Street, London NW1 6NW, a number of resolutions will be proposed. The resolutions are set out in the Notice of Annual General Meeting on pages 74 to 78 and an explanation of all proposed resolutions is provided below.

**Ordinary resolution 1 – Financial statements**
Shareholders will be asked to approve the financial statements of the Company for the financial year ended 30 September 2011, together with the reports of the Directors and auditors. The audited financial statements appear on pages 41 to 73.

**Ordinary resolution 2 – Directors' remuneration report**
Shareholders will be asked to approve the Directors' remuneration report for the financial year ended 30 September 2011, which is set out on pages 32 to 39.

**Ordinary resolutions 3 to 8 – Election of Peter Allen, Mark Wood, Graham Harding and Manjit Wolstenholme and annual re-election of other Directors**
Following Manjit Wolstenholme's appointment to the Board on 9 February 2011, Peter Allen's appointment to the Board on 5 August 2011 and Mark Wood's and Graham Harding's appointments to the Board on 27 October 2011, they now stand for election to confirm their appointments. Consistent with our policy since 2004, all other Directors are proposed for re-election. Biographical details of all Directors are set out on pages 20 and 21.

Following a rigorous evaluation and taking into account the need for progressive refreshing of the Board, the Board confirms that the performance of each executive and non-executive Director of the Company continues to be effective and demonstrates commitment to the role. The Nomination committee has carefully considered the time commitments required from and the contribution made by each Director and both the Nomination committee and the Board unanimously recommends that each Director standing for election be elected and for re-election be re-elected.

**Ordinary resolutions 9 and 10 – Auditors**
A resolution proposing the reappointment of PricewaterhouseCoopers LLP as auditors of the Company and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting. An explanation regarding the Board's proposal to reappoint PricewaterhouseCoopers LLP as auditors can be found on page 30 of the Corporate Governance report.

**Ordinary resolution 11 – To authorise the Directors to issue and allot new Ordinary shares**
Under the provisions of section 551 of the Companies Act 2006 (the 2006 Act), the Directors may allot and issue Ordinary shares only if authorised to do so by the Company's Articles of Association or by shareholders at a shareholders' meeting. Consistent with guidance issued by the Association of British Insurers (ABI) this resolution will, if passed, authorise the Directors to allot shares up to a maximum nominal value of £2,192,000 as follows:

(a) in relation to a pre-emptive rights issue only, equity securities (as defined by section 560 of the 2006 Act) up to a maximum nominal amount of £2,192,000 which represents approximately two thirds of the Company's issued Ordinary shares (excluding treasury shares) as at 15 December 2011. This maximum is reduced by the nominal amount of any Relevant Securities allotted under paragraph 11.2 of the notice of AGM; and

(b) in any other case, Relevant Securities up to a maximum nominal amount of £1,096,000 which represents just under one third of the Company's issued Ordinary shares as at 15 December 2011. This maximum is reduced by the nominal amount of any equity securities allotted under paragraph 11.1 of the notice of AGM in excess of £1,096,000.

If granted, this authority would replace all previous authorities granted in this connection. The authority granted by this resolution will expire on 31 March 2013 or, if earlier, following the conclusion of the next AGM of the Company. If the Directors exercise the authority granted under paragraph 11.1 of the Notice of AGM, they will all stand for re-election at the following AGM.

The Directors do not have any present intention of exercising this authority other than in connection with any exercises under share option and other share incentive schemes, but intend to seek this authority each year. In addition, there may be circumstances where it would be appropriate for the Company to issue new Ordinary shares, such as an acquisition where it might be appropriate for the consideration to be settled in whole, or in part, by the issue of new Ordinary shares. The Company does not hold any shares in treasury.

**Ordinary resolution 12 – Approval of political donations**
It remains the policy of the Company not to make political donations or to incur political expenditure, as those expressions are normally understood. However, following broader definitions introduced by the 2006 Act, the Directors propose a resolution designed to avoid inadvertent infringement of the new definitions.

The 2006 Act requires companies to obtain shareholders' authority for donations to registered political parties and other political organisations totalling more than £5,000 in any 12-month period, and for any political expenditure, subject to limited exceptions. The definition of donation in this context is very wide and extends to bodies such as those concerned with policy review, law reform and the representation of the business community. It could also include special interest groups, such as those involved with the environment, which the Company and its subsidiaries might wish to support, even though these activities are not designed to support or to influence support for any particular political party.

**Special resolution 13 – Disapplication of statutory pre-emption rights**
Resolution 13 will be proposed to renew the Directors' existing authority to allot new Ordinary shares for cash other than pro rata to existing shareholdings. Section 561 of the 2006 Act requires that equity securities issued for cash must first be offered to the Company's existing holders of securities in proportion to their existing rights.

Consistent with the previous practice of the Company, the authority now sought would permit the allotment of Ordinary shares up to the amount covered by resolution 11 in connection with a rights issue (or other pro rata Ordinary share issue) and otherwise up to an aggregate nominal amount not exceeding £164,000, equivalent to just under 5% of the Company's issued Ordinary share capital as at 15 December 2011, such authority to expire on 31 March 2013 or, if earlier, following the conclusion of the Company's next Annual General Meeting save that the Company would, before the expiry of the power conferred, be able to make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors would be able to allot equity securities pursuant to such an offer or agreement as if the power, if conferred, had not expired. If granted, this authority would replace all previous authorities existing in this connection. The Board intends to renew this authority each year.

The Board does not currently intend to issue more than 7.5% of the Ordinary issued share capital of the Company in any rolling three-year period without prior consultation with the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

**Special resolution 14 – Purchase of own shares**
Resolution 14 is proposed to renew the Company's authority to make market purchases of its own Ordinary shares. The maximum number of Ordinary shares that may be purchased will be 32,880,000 representing just under 10% of the issued Ordinary share capital of the Company as at 15 December 2011.

The minimum price payable for shares will be the nominal value of one penny per Ordinary share and the maximum price will not be more than the higher of 5% above the average of the middle-market quotation of the Company's Ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary shares are purchased and that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority, if granted, would expire on 31 March 2013 or, if earlier, following the conclusion of the Company's next Annual General Meeting save that the Company would, before expiry of the power conferred, be able to make a contract to purchase shares which may be executed wholly or partly after its expiry, as if the power, if conferred, had not expired. The Board intends to seek this authority each year. If approved, the power would be used only where it was demonstrably in shareholders' interests, such as by improving adjusted EPS.

While the Board has no current intention to use the power proposed, and has given an undertaking to its banks that it will not do so whilst the net debt:EBITDA covenant is above two times, it considers that it is desirable to have this authority each year, as there could be circumstances in which the purchase by the Company of its own shares would be in the best interests of the Company and its shareholders generally.

The 2006 Act permits certain listed companies to hold shares in treasury as an alternative to cancelling them following a purchase of own shares by the Company. Shares held in treasury may subsequently be cancelled or sold for cash, or used to satisfy employee share option or other awards under the Company's share option or long-term incentive schemes. Once held in treasury, a company is not entitled to exercise any rights, including the right to attend and vote at company meetings in respect of the shares and no dividend or distribution of the Company's assets may be made to the Company in respect of shares held in treasury. If the Directors exercise the authority conferred by resolution 14, they will consider holding any shares purchased in treasury rather than cancelling them.

The total number of options to subscribe for or awards granted in respect of Ordinary shares that were outstanding at 15 December 2011 (being the latest practicable date prior to publication of this document) was 12,014,945. The proportion of issued share capital that they represented at that time was 3.65% and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 4.06%.

**Special resolution 15 – General meetings on 14 days' notice**
Notice periods for AGMs must give at least 21 days' clear notice. For other general meetings, the old minimum notice period of 14 days was increased to 21 days by the Companies (Shareholders' Rights) Regulations 2009, unless shareholders approve a shorter period of at least 14 clear days. In the interests of greater efficiency, Resolution 15 seeks to renew approval for notice periods of at least 14 clear days.

**Action to be taken**
A form of proxy is included with this Annual Report for use in connection with the Annual General Meeting. Please complete and return the form in accordance with the instructions printed on it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, no later than 12 noon on Monday 6 February 2012. The return of the form of proxy will not prevent you from attending the Annual General Meeting and voting in person if you wish to do so. Further information about the AGM, including about electronic appointment of proxies, is provided on pages 76 to 78.

**Recommendations**
The Board believes that each of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of all of the resolutions proposed, as they intend to do in respect of their own beneficial holdings.

**Annual General Meeting procedures and result**
As in previous years, the Company will: (a) indicate the level of proxies lodged on each resolution together with the balance for and against each resolution and the number of abstentions; (b) announce the results of voting to the London Stock Exchange; and (c) post the results of voting on our corporate website, *www.futureplc.com*.

**Disclosure of information to the auditors**
The Directors confirm that they have complied with the relevant provisions of the 2006 Act in preparing the financial statements. In addition, each of the Directors confirms that, so far as they are aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken all reasonable steps to ensure that they are aware of any relevant audit information and that the auditors are aware of any relevant audit information.

**Responsibility statement**
Each of the Directors, whose names and functions are listed in the Board of Directors section on pages 20 and 21, confirm that to the best of their knowledge:

(a) the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

(b) the Financial review includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Approved by the Board of Directors and signed on its behalf by:

**Mark Millar**
Company Secretary and General Counsel
15 December 2011

# Corporate Governance report

> The non-executives play a critical role on the Board in overseeing and scrutinising the running of the business and in ensuring that corporate governance remains at the top of the agenda.

Mark Millar, Company Secretary and General Counsel

## Quick find contents



## Our approach to corporate governance

Effective corporate governance requires not just compliance with legislative and regulatory requirements, but also applying the principle of good governance in the boardroom and throughout the business. At Future, we are committed to ensuring that good corporate governance is embedded at the heart of our business structure and processes.

In this report, we provide detail on the role of the Board of Directors, followed by a more detailed focus on the work of each of the three key committees: the Audit committee, the Nomination committee and the Remuneration committee. Together, these give a clear insight into how we manage corporate governance principles and processes within Future.

> Good corporate governance is essential for the long-term success of the Company.

Peter Allen
Chairman

### 1. Board of Directors

***Membership of the Board***

The Board consists of two executive and four non-executive Directors. Biographies of Directors and details of their other time commitments are set out on pages 20 and 21.

This year has seen a number of changes to the Board. On the non-executive side we have welcomed Manjit Wolstenholme to the Board following the planned resignation of two long-serving members, Patrick Taylor and Michael Penington, at this year's AGM in February 2011 and have appointed Peter Allen as Chairman on 5 August 2011 in succession to Roger Parry who announced his intention to stand down in May and who resigned as a Director on 28 September 2011. Manjit Wolstenholme's appointment brings a wealth of financial, accounting, investment banking, public company and corporate governance experience to the Board. In turn, Peter Allen brings public company experience, having chaired a number of public companies, together with financial, accounting and mergers and acquisitions experience to his role as Chairman.

On the executive side, we appointed Mark Wood and Graham Harding on 27 October 2011 to replace Stevie Spring and John Bowman as Chief Executive and Group Finance Director respectively, when the Company eliminated a complete tier of corporate management. Mark Wood brings significant digital, media and public company experience having been a main board Director at Reuters plc from 1989 to 1996 and Chief Executive of ITN from 2003 to 2009, as well as ensuring continuity as he was promoted from his role as Chief Executive of the Group's UK business. Graham Harding, ACA, has significant media, public company and Group-specific knowledge, having been with Future since 2000 as Group Financial Controller and then UK Finance Director since 2004. That continuity is important to the Group at this stage of development of the Group's digital business. All Board members have a diverse and relevant range of digital and general business experience.

***Role of the non-executive Directors***

The non-executives play a critical role on the Board in overseeing and scrutinising the running of the business and in ensuring that corporate governance remains at the top of the agenda. They all serve three-year terms, terminable by either party on three months' notice at any time and subject to their election and annual re-election or removal by shareholders. Although annual re-election is not a requirement for Future, we believe it is the best way to ensure non-executives are directly accountable to shareholders.

All of the non-executive Directors are considered to be independent by the Board. There is a genuine mix of views and insights, as well as experience. Each non-executive Director is expected to commit 20 days a year to their role to allow for preparation for and attendance at Board and committee meetings and keeping in touch with the senior management team, shareholders and other stakeholders.

***Roles of the Chairman and Chief Executive***

In contemplation of the appointment of a new chairman, the Board reviewed in July 2011 the written division of duties and responsibilities between the Chairman and Chief Executive to ensure an effective division of these roles. The Board considered and was satisfied that these roles operate effectively, with the Chairman leading the Board and the Chief Executive leading the business.

***Board meetings***

The Board had seven scheduled meetings during the financial year (one of which was by video conference) and attendance is summarised below. The Board had a number of unscheduled telephone meetings to deal with matters that arose during the year. All Directors are aware of the need to be available and there is a clear contact process. Board meetings are sometimes preceded by an informal dinner where senior management can update the Board on business issues and challenges.

There is a regular and comprehensive exchange of information between meetings to ensure Board members are well informed to participate effectively in meetings. Directors receive a Board pack a week before the meeting with minutes of the previous meeting, all papers for agenda items, a report from the Company Secretary summarising any key legal issues and providing any regulatory/legislative updates, and a summary of share ownership and recent share dealing. Similar packs are provided for all committee meetings. Between meetings, the Board receives a monthly Board report written by the executive Directors which summarises financial and operational performance and provides updates on key programmes within the business.

| Director | Attendance (7 scheduled meetings) |
|---|---|
| Roger Parry (resigned 28 September 2011) | 6 of 7 |
| Peter Allen (appointed 5 August 2011) | 1 of 1 |
| Stevie Spring | 7 |
| John Bowman | 7 |
| Michael Penington (resigned 9 February 2011) | 3 of 3 |
| Patrick Taylor (resigned 9 February 2011) | 3 of 3 |
| Seb Bishop | 6 of 7 |
| Mark Whiteling (appointed 8 October 2010) | 6 of 6 |
| Manjit Wolstenholme (appointed 9 February 2011) | 4 of 4 |

Mark Wood and Graham Harding were appointed after the year-end.

Following his decision to step down as Chairman, Roger Parry did not attend the Board meeting which included as its main business the appointment of his successor.

There is a written schedule of matters reserved for the Board which sets out those matters that require Board approval including setting strategy, approving budgets and financial statements and setting up policies. This schedule was reviewed in July 2011 and it was noted that 36 matters had been considered by the Board. The schedule is available on the Company's website at *www.futureplc.com*. The Board delegates to management the day-to-day operational matters.

### Non-executive Directors

As a smaller company we are only required to have two independent non-executive Directors. We decided to comply with the full requirement and have at least half the Board as non-executive Directors to bring broader experience because of the diversity of our business and our real desire to ensure that our non-executives have the time to devote to corporate governance as well as monitoring and challenging the executive team on operational and strategic matters.

### UK Corporate Governance Code

For the financial year ended 30 September 2011, we have complied in full with the requirements of the UK Corporate Governance Code (2010) which is available on the Financial Reporting Council website www.frc.org.uk/corporate/ukcgcode.cfm save that, as a result of the change in Chairman, the non-executive Directors did not conduct a formal review of the performance of the Chairman.

The disclosures on share ownership, appointing and replacing Directors and other similar disclosures required by rule 7.2.6 of the Disclosure and Transparency Rules are set out in the Directors' Report on pages 22 to 25.

“As senior independent Director, I meet with the non-executives alone regularly and my contact details are available from the Company Secretary in the event that any shareholder wants to meet me.”

Manjit Wolstenholme
Senior independent Director

# Corporate Governance report continued

Board decisions are made unanimously whenever possible but can be made by majority. If Directors have concerns that cannot be resolved about the running of the Company or a proposed action, their concerns are recorded in the minutes.

The Board regularly appoints a sub-committee consisting of at least two Directors in order to finalise and approve those matters that have been approved in principle by the Board, subject to final amendments only. A permanent sub-committee consisting of at least two Directors exists to approve the issue and allotment of new shares in satisfaction of employee share schemes.

The Board has a number of nominated advisers (as listed on page 79). During the last financial year meetings were regularly held with key advisers to keep them aware of issues, and PricewaterhouseCoopers LLP attended audit committee meetings and briefings with members of the executive and senior finance teams.

***Effective Development***

Training and induction

The Board's training and development policy requires that all new Directors should receive appropriate induction on joining the Board, both in respect of the Group's activities as a whole and of each operating company individually. Mark Whiteling, Manjit Wolstenholme and Peter Allen, having joined the Board in October 2010, February and August 2011 respectively, have spent time with the management teams at Future UK and Future US in Bath, London and, in the case of Peter Allen, in San Francisco. They have also had discussions with the Company's senior statutory auditor at PricewaterhouseCoopers LLP, brokers and certain other advisers.

Ongoing training for Directors is available as appropriate. The training and development needs of each individual Director are assessed and discussed during individual performance evaluation meetings with the Chairman and Company Secretary as part of the annual Board performance evaluation. The Board encourages appropriate training and provides regular updates and refresher sessions by the Company Secretary, the Company's legal advisers and auditors, to inform the Board or relevant committees of important changes in legislation, regulation and best practice. During the past 12 months, the Directors have in particular received training on the Bribery Act, Hargreaves Review of intellectual property, the new 'cookie' rules and digital piracy.

Performance evaluation

Despite the many Board changes during the year, serving Directors completed a detailed Board performance evaluation questionnaire as part of the annual performance evaluation process. In 2010, for the first time, we used an external adviser's format for the questionnaire but found the results less insightful than using our previous bespoke questionnaire. Therefore, for 2011, we have reverted to our own bespoke format. Each questionnaire was analysed and the Chairman and Company Secretary led a discussion on the Board's performance during the year and any specific requirements for training and development. The results were presented to the Board for discussion. During the process the Board also compared its performance with the results and recommendations from the prior year's performance evaluation. The Board considers this exercise to be of significant value in ensuring a functional and effective Board and committees.

The Chairman also met several times with non-executive Directors without the presence of executive Directors, in order to assess the performance of the executive Directors.

**Summary of performance evaluation**

| Last year's outcomes | Steps taken this year |
|---|---|
| Succession planning for NEDs | Appointed Manjit Wolstenholme as a further independent NED and Peter Allen as Chairman |
| No annual measurement of performance against set objectives | Objectives set at a strategy day |
| Ongoing training | Induction refreshers every three years |

***Accountability and going concern***

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern.

The Directors have given this matter due consideration and have concluded that it is appropriate to continue to prepare the Group financial statements on a going concern basis. The two main considerations were as follows:

a) Strength of the Group's cash flow

While the Group has had a poor year in terms of profitability and has therefore seen a reduction in the cash flow from operations, the Group does have a proven track record of being highly cash generative. As reported in the Chief Executive's review the Board is confident that, as a result of the restructuring actions already undertaken in the year ended 30 September 2011 and further actions planned for the year ending 30 September 2012, the Group will return to growing profits and thereby improve the cash flows arising from operations in the year ending 30 September 2012 and beyond. During the past four years the ratio of cash generated from reported EBITA has been close to 100%. Most of the Group's operating expenditure is cash expenditure, and the majority of the Group's revenue is collected from magazine distributors and from advertising agencies and clients.

b) Continued support of the Group's banks

We maintain a regular and constructive dialogue with our banking syndicate to keep them informed of how the Group is performing. Two important issues to consider in relation to our banks are the renewal of facilities and covenant compliance.

Facilities – At 30 September 2011 the Group had headroom of £4.1m on its bank facility, which was renewed in May 2009 and was due to run until maturity on 30 November 2012. We have recently reached agreement with our banks to extend the term of the facility for a further 12 months to 30 November 2013. As part of this renegotiation of the facilities we have also restated the financial covenants to provide the necessary flexibility to complete the execution of the restructuring plans noted above.

Financial covenant compliance – our amended bank facility to 30 November 2013 now has the following key financial covenants:

(i) net debt is not to exceed certain ratios of Bank EBITDA. These ratios range from 2.55 to 2.80 times over the periods ending 31 December 2011, 31 March 2012 and 30 June 2012 before reverting to the previous level of two times from 30 September 2012;

(ii) net interest payable is to be covered at least four times by Bank EBITDA;

(iii) cashflow is to cover the cost of debt service costs by different agreed ratios over the next two years based on an agreed forecast position with the banks;

(iv) capital expenditure must not exceed 115% of agreed forecast positions for each financial year;

(v) exceptional cash costs (excluding vacant property provisions) above £1.9m in the year ending 30 September 2012 will be taken into account in determining the relevant net debt:Bank EBITDA ratios in respect of (i) above; and

(vi) dividends cannot be declared until the ratio of net debt:Bank EBITDA falls below two times.

The covenants noted above in (i) and (ii) are tested quarterly on the basis of rolling figures for the preceding 12 months. The covenant noted above in (iii) is also tested quarterly but for the year ending 30 September 2012, the measurements are for the relevant period from 1 October 2011. The covenant noted above in (iv) is tested annually by reference to an agreed forecast position.

Based on the trading of the Group in the first two months of the year ending 30 September 2012 and our expectations in relation to revenues, profits and cashflows for the rest of the year to 30 September 2012, the Directors are confident that, in the absence of unforeseen circumstances, all relevant covenants will be met at the next four testing points.

***Risk management and internal controls***

Details of the principal risks and the Group's approach to managing them are set out on pages 16 and 17. The Board conducted an annual review of financial, operational, legal and compliance risks with the assistance of members of the Group legal and finance teams and the then executive management team of the UK operating company (who are now the executive Directors) to ensure that there is a sound system of internal controls in place and that these are sufficient to manage (rather than eliminate) those risks effectively. No significant failings or weaknesses were identified as part of this review.

The internal controls that are in place to ensure effective risk management are structured to ensure a timely flow of information within the Group and a clear structure of delegated authority and responsibility. The main features of the Group's internal control and risk management systems in relation to the process for preparing consolidated accounts is set out in the Financial review on pages 10 to 17.

The Board approves a set of control documents which specify: (i) various financial and treasury policies to be followed across the Group; and (ii) the powers of delegated authority across the Group.

Our Group finance team manages our financial reporting processes ensuring that there is appropriate control and review of the financial information including the production of our consolidated annual accounts. Group finance is supported by the operational finance managers throughout the Group who have the responsibility and accountability to provide information in keeping with our policies and procedures.

The UK and US operating companies each have a board (whose members include the two executive Directors) responsible, *inter alia*, for ensuring that the control documents are applied in practice. The Board of the UK operating company takes responsibility for the Australian business.

Business review meetings were held monthly by the executive team with senior UK and US management in order to provide a proper opportunity for financial results and other business and operational issues to be explored and addressed. These meetings took place in the cities in which the Group has a significant presence. Given the change in executive Directors these meetings will no longer be needed, resulting in time and costs savings.

***Internal audit***

The Audit committee and the Board have again during 2011 reconsidered whether there is a need for an internal audit function. It was concluded that while an independent internal audit department with the necessary technical skills is not currently justified, the committee should continue to review this subject each year, and the senior operational management received training on the new laws, guidance and policies.

***Whistle-blowing policy***

As part of its internal controls, the Group has a whistle-blowing policy which is updated regularly and published on the Company's intranet to encourage employees to report, in good faith, any genuine suspicions of fraud, bribery or malpractice in order to identify any problems within the Group at an early stage. The policy is also designed to ensure that any employee who raises a genuine concern is protected. During the year the policy was revised to fit with the launch of the anti-bribery documentation adopted during the year.

***Relations with shareholders/communication***

We aim to have an open relationship with our shareholders and shareholders can find up-to-date information on Group activities on the Company's website, *www.futureplc.com*. There is a specific investor relations section on that site which includes copies of all of the Group's public announcements made via the Regulatory News Service of the London Stock Exchange, as well as full copies of the Company's annual and interim results and presentations provided to analysts.

# Corporate Governance report continued

## Terms of reference for the Audit, Remuneration and Nomination committees

The terms of reference for all committees are available on the Company's website, *www.futureplc.com* and will be available at the Company's registered office in Bath and at the London office in the run up to the AGM in 2012.

All Directors are available to meet shareholders at the AGM or on request by contacting the Chairman or Company Secretary. The executive Directors and the Chairman are also available at the analyst presentations of the interim and annual results. Because more than 80% of the Company's shares are held by major institutions, the executive Directors hold a series of meetings presenting the interim and annual results to these institutions and gauging their views.

In order that all Directors are aware of the views of shareholders, Board packs include a note of views as expressed by shareholders during meetings held with Directors or as reported to Directors through the Company's brokers, together with copies of analysts' notes, press articles and other relevant information.

**2. Audit committee**

| Member | Attendance at meetings (3 meetings) |
|---|---|
| Patrick Taylor (Chairman until 9 February 2011) | 1 of 1 |
| Mark Whiteling (Chairman from 9 February 2011) | 3 of 3 |
| Manjit Wolstenholme (appointed 9 February 2011) | 2 of 2 |
| Seb Bishop (served 14 July 2011 to 6 October 2011) | 1 of 1 |
| Michael Penington (resigned 9 February 2011) | 1 of 1 |

Mark Whiteling took over from Patrick Taylor as chairman of the committee from 9 February 2011. Manjit Wolstenholme was appointed to the committee on 9 February 2011 when Michael Penington stood down. Seb Bishop served on the committee from 14 July 2011 until 6 October 2011. Peter Allen was appointed to the committee on 6 October 2011. The chairman of the committee has recent and relevant financial experience.

The Audit committee meets before the interim and annual results announcements and reviews the relevant financial results with the executive management team and the external auditors. The Audit committee also meets separately for the purposes of planning the audit process, monitoring its effectiveness, reviewing the Group's relationship with the auditor and undertaking a detailed review of the Group's internal controls. The Audit committee carries out the functions required by rule 7.1.3 of the Disclosure and Transparency Rules.

***Audit fees***
The Audit committee has reviewed the remuneration received by PricewaterhouseCoopers LLP for non-audit work conducted during the financial year. The fees for non-audit work did exceed the audit fee, and related mainly to advising in relation to taxation. For further details regarding fees paid, see note 4 to the financial statements on page 54.

***Auditor independence***
The Audit committee monitors the Company's safeguards against compromising the objectivity and independence of the external auditors by performing an annual review of non-audit services provided to the Group and their cost, reviewing whether the auditors believe there are any relationships that may affect their independence and obtaining written confirmation from the auditors that they are independent.

For the financial year ended 30 September 2011, the Audit committee has conducted its review of the auditors' independence and concluded that no conflict of interest exists between PricewaterhouseCoopers LLP audit and non-audit work and that their involvement in non-audit matters, which was mainly tax-related, was the most effective way of conducting the Group's business during the year.

***Auditor appointment policy***
The Audit committee has reviewed its policy for appointing auditors and awarding non-audit work.

The Group has little non-audit work outside of tax work but has an open mind about instructing firms other than PricewaterhouseCoopers LLP where appropriate.

On the recommendation of the Audit committee, the Board has decided that it is in the best interests of the Company to put a resolution to shareholders that PricewaterhouseCoopers LLP, who have been the Company's external auditor for a number of years, be reappointed as auditors for the forthcoming year. The resolution to appoint PricewaterhouseCoopers LLP will propose that they hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company, at a level of remuneration to be determined by the Directors.

**3. Nomination committee**

| Member | Attendance at meetings (4 meetings) |
|---|---|
| Roger Parry (Chairman until 5 August 2011) | 3 of 4 |
| Peter Allen (Chairman from 5 August 2011) | 0 of 0 |
| Manjit Wolstenholme (appointed 9 February 2011) | 2 of 2 |
| Patrick Taylor (resigned 9 February 2011) | 2 of 2 |
| Michael Penington (resigned 9 February 2011) | 2 of 2 |
| Seb Bishop (appointed 9 February 2011) | 2 of 2 |
| Mark Whiteling (appointed 9 February 2011) | 2 of 2 |

Following his decision to step down as Chairman, Roger Parry did not attend one committee meeting in July at which the process for appointment of his successor was being considered. Manjit Wolstenholme chaired the meeting in his absence.

The Nomination committee's work this year has focused on replacing the chairman and senior independent non-executive Director and, since the year-end, the change of the executive Directors. For the appointments of each of Peter Allen, Manjit Wolstenholme and Mark Whiteling the committee appointed an external search consultancy to identify and shortlist appropriate candidates for the committee to interview. Following selection by the committee of preferred candidates, that individual was invited to attend the next Board meeting as an observer before any appointment was confirmed.

Following discussion of the skills and contribution of each Director, the Nomination committee supports the proposed re-election of all Directors standing for re-election at the 2012 AGM and the election of Manjit Wolstenholme, Peter Allen, Mark Wood and Graham Harding. In line with best practice, each committee member seeking re-election was excluded from approving the proposal for their re-election.

**4. Remuneration committee**

| Member | Attendance at meetings (2 meetings) |
|---|---|
| Manjit Wolstenholme (Chairman from 9 February 2011) | 0 of 0 |
| Patrick Taylor (resigned 9 February 2011) | 2 of 2 |
| Mark Whiteling (appointed 9 February 2011) | 0 of 0 |
| Michael Penington (Chairman until 9 February 2011) | 2 of 2 |
| Seb Bishop (appointed 22 November 2010) | 1 of 1 |

The Remuneration committee determines the remuneration packages of executive Directors, including performance-related awards and share-based incentives, and sets individual bonus targets for executive Directors and performance criteria attached to share-based incentives. The committee also determines the remuneration of the Chairman, manages and recommends remuneration levels for senior management in line with both industry remuneration packages and the Company's remuneration policy, and considers and approves any new share-based incentive scheme proposed to be implemented. The Directors' remuneration report is set out on pages 32 to 39.

Approved by the Board of Directors and signed on its behalf by:

**Mark Millar**
Company Secretary and General Counsel
15 December 2011

## Advice and support

All Directors have access to the Company Secretary who, as a qualified solicitor and share schemes adviser, can advise them on issues of governance, best practice and any other legislative or regulatory matters. The appointment and removal of the Company Secretary is a Board decision. The Directors may also take independent professional advice at the Company's expense provided that they give notice to the Chairman. No such advice was sought during 2011. The Company maintains appropriate insurance for its Directors.

## Re-election of Directors

As a smaller company we are not required to offer all our Directors up for annual election. However, all our Directors take individual and collective responsibility for the decisions that the Board makes and are happy to let shareholders judge their performance by standing for annual re-election. We have followed this practice since the AGM in 2005.

# Directors' remuneration report

For the year ended 30 September 2011

**Compliance with best practice**
As with all aspects of Corporate Governance, the Board applies best practice to its remuneration policy, in line with the provisions of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing Rules and the UK Code on Corporate Governance. This report is submitted to shareholders for approval at the forthcoming Annual General Meeting to be held on 8 February 2012.

**Remuneration committee**
Five independent non-executive Directors served on the Remuneration committee during the year: Michael Penington chaired the committee until he resigned from the Board on 9 February 2011; Manjit Wolstenholme chairs the committee following Michael Penington's resignation; Patrick Taylor served until his resignation when he was replaced by Mark Whiteling, and Seb Bishop was appointed on 22 November 2010. Mark Millar, Company Secretary, who holds the ICSA share schemes qualification, is secretary to the committee.

The committee is responsible for determining the basic annual salaries, incentive arrangements and terms of employment of executive Directors, for making recommendations regarding the level and make-up of the remuneration packages of senior managers, including bonus schemes and share-based incentives, and ensuring that remuneration policies and practices do not encourage excessive risk-taking. The committee is also responsible for fixing the Chairman's remuneration and approving the terms of any new share-based incentive scheme for any employees of the Group, subject, where appropriate, to shareholder approval. No Director is involved in deciding his or her own remuneration. As explained on page 30, the terms of reference of the Remuneration Committee, reviewed annually, are available on the Company's website.

During the year, the committee has considered the level and make-up of executive Directors' remuneration packages, the grant of share-based incentive awards and the level and basis of performance-related bonuses.

**Advisers to the Remuneration committee**
Aon Hewitt Consultants have been independent advisers to the committee since the committee appointed its predecessor firm, New Bridge Street Consultants in 2002. They provide no other services to the Company or its Directors. No advice was sought during the year.

**Compliance with the UK Corporate Governance Code**
The Board has complied fully with the provisions of Section D of the UK Corporate Governance Code in relation to Directors' remuneration policy and practice, and has followed Schedule A to the Code in relation to performance-related remuneration policy. Further information regarding the Company's compliance with the provisions of the Code is set out in the Corporate Governance report on pages 26 to 31.

**Policy on remuneration of executive Directors**
The committee's objective has been to weight executive Directors' remuneration packages more towards performance-related pay, with performance-related targets linked to financial performance of the Group against budget and the Group's performance against business objectives and stated strategy. The committee has given further consideration since the year-end to the remuneration of the new executive team for the following financial year and for financial years subsequent to that. In taking out a layer of corporate management since the year-end, the Board, after carefully considering the rates for the new executive Directors, have rebased executive pay to reflect the current size and scale of the business.

In determining the level and make-up of executive Directors' remuneration, the committee also carefully considers the following issues:

(a) Remuneration packages offered to executive Directors should be competitive with those available for comparable roles in companies operating in similar markets and on a similar scale. They should be sufficiently desirable so as to attract, retain and motivate high calibre Directors to perform at the highest levels, whilst at the same time ensuring that recruitment and remuneration expenditure is not excessive and does not encourage excessive risk-taking.

(b) The interests of executive Directors should be aligned with those of shareholders by ensuring that a significant proportion of remuneration is linked to Group performance.

(c) Remuneration packages and employment conditions of executive Directors are considered in conjunction with both those of key senior managers (keeping succession planning in mind) and all employees in the Group in order to achieve a consistent remuneration policy across the Group. Given the ongoing economic conditions and the decision to consolidate the business and focus on its digital offering, there was a pay freeze across the Group's business at 1 October 2011 and this was taken into account in the committee's considerations.

(d) Cash and share-based incentives are payable dependent on Group performance, thereby aligning the interests of executive Directors with those of shareholders.

(e) Subjective criteria applied to an element of the annual cash bonus of the Chief Executive and certain other senior managers with effect from 1 October 2009 (with a financial underpin) in order to ensure that the committee retains discretion and to ensure no bonus is unjustly received.

Although bonuses were payable under this criteria the committee determined that no bonuses should be paid given the financial and share price performance of the Group in the period.

Details of the key elements of executive Directors' remuneration packages are set out on pages 32 to 34. Details of Directors' interests in share schemes are set out on page 38 of this report and Directors' shareholdings are set out on page 23 of the Directors' report.

The split of potential maximum remuneration for 2012 between basic and performance-related pay is shown in the graphs opposite, which set out each of the elements making up the total ongoing potential maximum remuneration.

***(a) Basic annual salary (reviewed on 1 October each year)***
In assessing the level of basic annual salary for each executive Director, the committee takes into consideration in particular the remuneration of equivalent roles within such comparable companies as the committee and its remuneration advisers consider appropriate (including both media companies and companies with similar market capitalisations), as well as the level of remuneration of senior managers and pay and employment conditions across the Group. In addition, the responsibilities of each executive Director are taken into consideration when determining the level of basic annual salary which, with other elements of remuneration, is reviewed annually by the committee to ensure that executive Directors' remuneration packages are appropriate and are in line with median remuneration packages for the relevant comparator group. Salaries are reviewed annually, with effect from 1 October, taking into account annual performance review data, the rate of inflation and salary increases across the Group. There was no increase in the basic annual salary of Stevie Spring or John Bowman from 1 October 2011 until they resigned on 27 October 2011. Mark Wood and Graham Harding received c.10% pay rises from 27 October 2011 to reflect the additional workload of their Group roles in addition to their UK roles.

The annual basic salaries for current executive Directors are set out below:

| | From 27 October 2011 | From 1 October 2010 | Change (%) |
|---|---|---|---|
| Mark Wood | £260,000 | £235,000 | 10.6 |
| Graham Harding | £170,000 | £154,000 | 10.4 |

***(b) Performance-related annual bonuses***

All annual bonuses are at the discretion of the committee and are performance-linked. The overriding principle is that the performance targets should be stretching and should reflect good progress in the underlying business and an exceptional performance would be required to achieve maximum bonus.

In 2006, the committee designed and implemented a new annual performance-related bonus scheme (Annual Bonus Scheme) to apply to the Chief Executive, the Group Finance Director and other senior managers which was varied in 2010 as noted below.

The profit based element of such bonus is calculated by reference to the adjusted earnings before interest, tax and amortisation (EBITA) profits of the Group in respect of each financial year. Adjusted EBITA is used to ensure alignment within the Group and to focus executive Directors on the operating profitability of the Group to the benefit of shareholders. For 2012, as there are planned exceptional items in connection with the Group restructuring, the measure used will be adjusted earnings before interest, tax, amortisation and exceptionals (EBITAE). There were no exceptional items in 2008, 2009, 2010 but there were for 2011.

In order to ensure that targets are stretching, the range for payment is as follows:

:: If EBITAE is 10% below target EBITAE, no discretionary bonus will be payable.

:: If EBITAE is between EBITAE target and 10% below EBITAE target, such amount as the committee determines in its discretion will be payable. The committee retained discretion to ensure that the level of bonus was merited by the individual.

:: If EBITAE target is achieved, 40% of basic annual salary will be payable to the CEO and 25% of basic annual salary will be payable to the Group Finance Director.

:: If EBITAE target is exceeded by up to 15%, such amount as the Remuneration committee determines in its discretion in excess of 40% and 25% of basic annual salary respectively will be payable.

:: If EBITAE target is exceeded by 15% or more, the maximum bonus of 80% of basic annual salary for the CEO and 50% of basic annual salary for the Group Finance Director will be payable.

The adjusted EBITAE target is set by the committee to be challenging and is set by reference to the budget for the relevant financial year. Target EBITAE for 2012 is not published here as that would be profit forecast guidance ahead of the relevant period. For 2011 target EBITA was £10.9m. EBITA performance was significantly below this level for 2011 and consequently no discretionary bonus was payable.

In 2010 the committee varied the Annual Bonus Scheme by making an element of the Chief Executive's bonus up to 20% of the Chief Executive's salary determined by subjective criteria. Following detailed discussion the committee determined that no part of the total of 20% of the Annual Bonus Scheme would be payable to the previous executive team given the poor financial and share price performances of the Group during the year. For 2012 the principle of subjective criteria is extended to the Chief Executive and Group Finance Director, and individual targets are being set by the committee to align that part of the bonus to the Group's new strategy.

Payment of any annual bonus under the Annual Bonus Scheme is made in December, following announcement of preliminary results and the conclusion of the audit in respect of the preceding financial year. Payment of Annual Bonus is subject to the executive being in the Company's employment at the time of payment of such bonus and not having given or received notice of termination of employment and not being subject to disciplinary proceedings at that time.

The potential maximum annual bonus payable to the previous executive Directors under the Annual Bonus Scheme during 2011 was 100% of basic annual salary for the Chief Executive and 50% for the Group Finance Director.

Based on EBITA performance achieved for 2011, and, in the case of the Chief Executive, on individual performance measures, the committee awarded total Annual Bonus payments of nil to the Chief Executive and nil to the Group Finance Director.

***(c) Long-term incentive plans (general policy)***

The Board and the committee consider that it is right to align the interests of executive Directors and senior managers with those of shareholders by encouraging Directors and senior managers to hold shares in the Company, and by the grant of appropriate long-term share incentives to both executive Directors and senior managers.

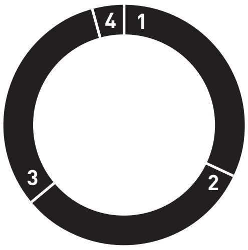
Performance measures are considered by the committee to reflect Company specifics and business objectives, taking into account Company strategy.

**2005 Performance Share Plan (PSP)**

The 2005 PSP replaced both the 2003 LTIP and the discretionary share options for executive Directors and other senior management. Other than in exceptional circumstances, the maximum value of PSP awards that may be granted to any individual in any one-year period is 100% of basic annual salary.

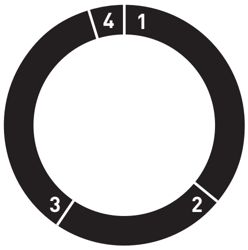
**Mark Wood**

1: Basic salary (non-performance related) 32.00%
2: Annual bonus (max.) (performance related) 32.00%
3: Potential PSP grant (performance related) 32.00%
4: Pension supplement (non-performance related) 4.00%




**Graham Harding**

1: Basic salary (non-performance related) 36.04%
2: Annual bonus (max.) (performance related) 23.42%
3: Potential PSP grant (performance related) 36.04%
4: Pension contribution (non-performance related) 4.50%



## Directors' remuneration report continued

On 21 December 2010 awards were granted to, amongst others, Stevie Spring and John Bowman. These awards would have vested on 21 December 2013, subject to performance targets measured over the three-year period from 1 October 2010 to 30 September 2013 having been met, and provided that the participants were still employed by the Company on the vesting date. Vesting of the awards was subject to both Total Shareholder Return (TSR) and Earnings Per Share performance as described below. These performance conditions were set following extensive consultation with major institutional shareholders. Details of the awards made to executive Directors under the PSP are set out on page 38.

Following their resignations on 27 October 2011, all outstanding PSP awards held by Stevie Spring and John Bowman lapsed due to the failure by the Company to satisfy the relevant performance conditions for the pro rata period from the dates of grant to 27 October 2011.

Annual awards under the PSP will usually be granted within the 42-day period following announcement of preliminary results.

All awards granted in December 2008 will lapse in December 2011 due to the performance criteria not having been met.

**Earnings Per Share Performance Criterion – 50% of PSP Award**
Growth in EPS over the three years is to exceed annual Retail Price Index (RPI) + 3% for the award to vest, with full vesting at annual RPI + 8% and on a straight-line basis between these levels.

**Total Shareholder Return Performance Criterion – 50% of PSP Award**
If the Company's TSR performance places it below median ranking, none of the part of the award dependent on TSR performance will vest. If the TSR performance places it above median ranking, 25% will vest through to 100% if the Company is ranked in the upper quintile, i.e. top 20%. Between median and upper quintile, the award will vest on a pro rata straight-line basis.

In respect of the TSR performance, the Company's performance is measured against a basket of comparator companies comprising at all times a minimum of 15 companies. The list for all grants made up to 20 December 2010 comprises:

| | |
|---|---|
| Bloomsbury Publishing | Mecom Group |
| Centaur Media | Pearson |
| Chime Communications | Reed Elsevier |
| Euromoney Institutional Investor | STV Group |
| Haynes Publishing | Trinity Mirror |
| Informa | Wilmington Group |
| ITE Group | WPP Group |
| ITV | Yell Group |
| Johnston Press | |

The list for all grants made from 21 December 2010 will comprise:

| | |
|---|---|
| Bloomsbury Publishing | Motivcom |
| Centaur Media | Progressive Digital Media |
| Chime Communications | Quarto |
| Ebiquity | STV Group |
| Haynes Publishing | Ten Alps |
| Huntsworth | Trinity Mirror |
| Johnston Press | Wilmington Group |
| M&C Saatchi | Yell Group |
| Mecom Group | YouGov |

To alleviate short-term volatility, the return index will be averaged in the TSR calculations for each company over the three months prior to the start and end of the performance period.

The Company considered it appropriate to measure performance in respect of both EPS and TSR and the specific criteria are considered to be stretching. The performance criteria were set following consultation with both the Association of British Insurers (ABI) and major shareholders. Consideration will be given to alternative performance conditions potentially better linked to business objectives for future years. The Company will also consult with major shareholders if any substantial changes to such measures are proposed to be implemented.

***(d) Share option schemes (no options have been issued since 2004)***
No executive share options were granted to executive Directors or other employees during the year and it is intended that no further options will be granted. All share option schemes introduced by the Company have a ten-year life. Details of existing, outstanding share options of executive Directors are set out on page 38, and information regarding executive share option schemes and all options grants (including the performance conditions) are set out in note 25 to the financial statements on pages 69 to 72.

Executive Directors may hold options under the all-employee sharesave plan which, in common with plans of this type, are not subject to performance conditions.

***(e) Pensions (money-purchase benefits only)***
The only element of remuneration that is pensionable is basic annual salary, excluding bonuses and benefits in kind. Employer's pension contributions during the year for the former executive Directors were payable at 20% for the Chief Executive and 12.5% for the Group Finance Director. Those rates are now 12.5% for the new executive Directors. As a result of changes in tax legislation, Mark Wood receives his entitlement to employer's pension contributions in cash as a salary supplement. This additional cash payment is not included in determining his entitlement to any bonus, share-based incentive or pension entitlement.

***Policy on share ownership***
The Company has a policy on share ownership by executive Directors which requires that any such Director should accumulate a holding in shares over a five-year period where the acquisition cost of those shares represents at least one times salary.

***Policy on remuneration of non-executive Directors***
The remuneration of non-executive Directors is determined by the Board and reviewed every three years. Fees are paid at a standard annual rate to reflect the time, commitment and responsibilities of the roles, with additional fees paid to those who chair Board committees to reflect their additional responsibilities. The time commitment required increased significantly during the year, but no additional payments have been made. Separately, the committee sets the fee payable to the Chairman of the Board. The standard fees from 1 October 2011 are set out in the table below:

| Basic annual fees | 2011 £ |
|---|---|
| Chairman | 90,000 |
| Other non-executive Directors | 35,000 |
| Additional fees[1] | |
| Chairman of committee | 5,000 |
| Senior independent Director | 5,000 |
| Member of committee | Nil |

Note:
1. Additional fees apply only once, regardless of the number of committees of which a non-executive Director is a member or a chairman.

The Board is due to review these rates during the forthcoming year.

Non-executive Directors are not included in any performance-related bonus, share incentive schemes or pension arrangements.

***Policy on Directors' service contracts and termination payments***

(a) Service contracts of executive Directors and compensation

The service contracts of executive Directors are terminable on one year's notice. Compensation for early termination is limited to one year's basic annual salary and benefits and the Director would be required to mitigate their loss. Any entitlements under share incentive plans will vest or lapse, as applicable, at the discretion of the committee, in accordance with the terms of such plans. The details are shown in the table below.

New service contracts will be implemented during the year for Mark Wood and Graham Harding to reflect their new roles.

(b) Letters of appointment of non-executive Directors

Non-executive Directors have three-year appointments with the Company, which are terminable on three months' notice by either party or if the Director is not reappointed at the Company's Annual General Meeting.

***Retirement and re-election***

It is the Company's policy that every Director stands for election every year.

***Policy on external appointments***

The Company believes that exposure of its executive Directors to other Boards can be beneficial and can help to broaden their experience and knowledge. Executive Directors are therefore permitted to join other boards as non-executive Directors, subject to the prior approval of the Board. Currently, neither of the executive Directors holds an external appointment on the board of any other publicly-listed company so no fees are due to them or the Company. Whilst she was Chief Executive, Stevie Spring was chairman of the Trustees for BBC Children in Need, which is a registered charity.

**Performance graphs: Total Shareholder Return against FTSE Media (UK companies)**

The committee has again chosen to publish graphs for two different periods. In each case, these show the TSR on a holding of shares in the Company compared with a hypothetical holding of shares made up of shares of the same kinds and number as those by reference to which the FTSE Media Sector Index (UK companies) is calculated.

**FTSE Media Sector Index**

The following is a list of companies currently included in the FTSE Media Sector Index (UK companies).

| | |
|---|---|
| 4imprint Group | Mecom Group |
| Aegis Group | moneysupermarket.com Group |
| Bloomsbury Publishing | Pearson |
| British Sky Broadcasting | Perform Group |
| Centaur Media | Reed Elsevier |
| Chime Communications | Rightmove |
| Creston | Tarsus Group |
| Daily Mail 'A' | Trinity Mirror |
| Euromoney Institutional Investor | UBM |
| Huntsworth | UTV Media |
| Informa | Wilmington Group |
| ITE Group | WPP Group |
| ITV | Yell Group |

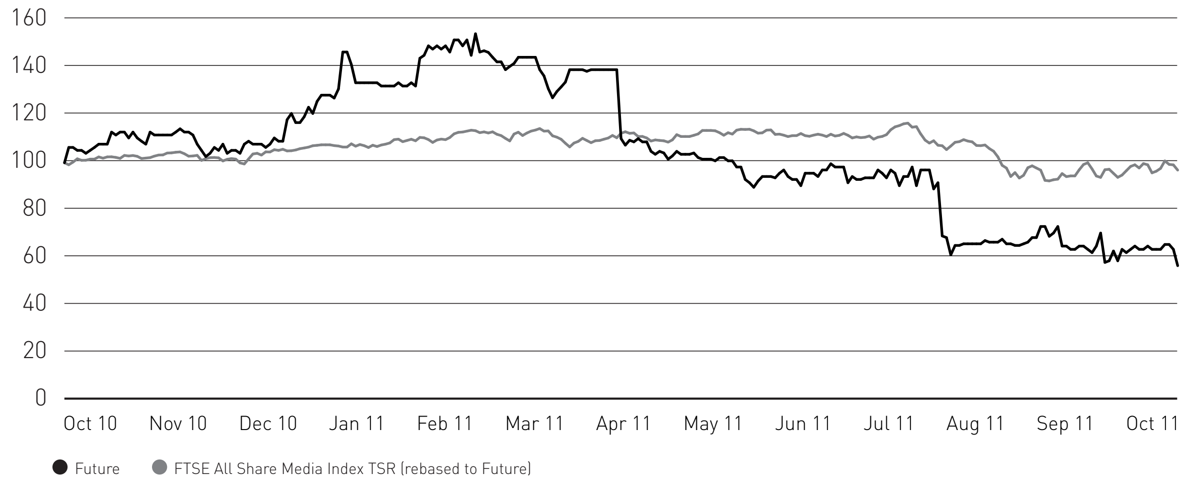
Graph 1 (overleaf) shows the TSR during the one financial year ended 30 September 2011. Graph 2 (overleaf) shows the TSR for the past five financial years ended 30 September 2011.

The FTSE Media Sector Index (UK companies) is chosen by the Company because it is the index which contains the companies which currently make up the comparator companies for the purposes of the TSR-based performance criteria set in respect of share-based awards granted by the Company since November 2001. The sector currently comprises the companies listed above.

| Name of Director | Date of contract | Unexpired term of contract on 30 September 2011 | Notice period under contract | Compensation payable on early termination |
|---|---|---|---|---|
| Stevie Spring | 6 June 2006 | Until normal retirement age | 12 months | Salary and benefits during unexpired notice period |
| John Bowman | 24 November 2004 | Until normal retirement age | 12 months | Salary and benefits during unexpired notice period |

# Directors' remuneration report continued

**Graph 1: Financial year ended 30 September 2011**
***Total Shareholder Return: Rebased to Future plc as of 1 October 2010***




**Graph 2: Past five financial years ended 30 September 2011**
***Total Shareholder Return: Rebased to Future plc as of 1 October 2006***

***Directors' remuneration (audited)***

The emoluments of the Directors of the Company (including any entitlement to fees or emoluments from subsidiary companies and interests in any long-term cash incentive schemes) are set out below:

***A. Aggregate emoluments***

| | Year ended 30 September 2011 £'000 | Year ended 30 September 2010 £'000 |
|---|---|---|
| Salaries and fees | **758** | 888 |
| Benefits | **19** | 21 |
| Performance-related bonuses | **–** | 199 |
| Pension contributions | **111** | 111 |
| **Total** | **888** | 1,219 |

***B. Individual emoluments of Directors***

| | Salary and fees | | Performance-related bonuses | | Value of any other non-cash benefits | | Pension contributions | | Year ended 30 September | |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors in office at 30 September 2011 | **2011 £'000** | 2010 £'000 | **2011 £'000** | 2010 £'000 | **2011 £'000** | 2010 £'000 | **2011 £'000** | 2010 £'000 | **2011 Total £'000** | 2010 Total £'000 |
| **Executive** | | | | | | | | | | |
| Stevie Spring[1,8] | **400** | 400 | **–** | 160 | **10** | 12 | **80** | 80 | **490** | 652 |
| John Bowman[1,9] | **246** | 246 | **–** | 39 | **9** | 9 | **31** | 31 | **286** | 325 |
| **Non-executive** | | | | | | | | | | |
| Peter Allen[5] | **14** | – | **–** | – | – | – | – | – | **14** | – |
| Seb Bishop | **35** | 35 | **–** | – | – | – | – | – | **35** | 35 |
| Mark Whiteling[3] | **38** | – | **–** | – | – | – | – | – | **38** | – |
| Manjit Wolstenholme[4] | **25** | – | **–** | – | – | – | – | – | **25** | – |

Notes:
1. Benefits for executive Directors comprise principally car allowance and private health insurance. There were no taxable expenses paid to any Director in the year.
2. Roger Parry served as non-executive Chairman until August 2011 and retired as a Director on 28 September 2011 and fees paid totalled £90,000 (2010: £90,000). Roger Parry's services were provided by West Eight Investments Limited and fees in respect of his services were paid to that company.
3. Mark Whiteling became a Director on 8 October 2010.
4. Manjit Wolstenholme became a Director on 9 February 2011.
5. Peter Allen became a Director on 5 August 2011.
6. Patrick Taylor and Michael Penington ceased to be Directors on 9 February 2011 and fees totalling £14,000 had been paid to each of them.
7. In respect of the above emoluments, the total employer's National Insurance contributions for the year ended 30 September 2011 were £105,000 (2010: £139,000).
8. Stevie Spring ceased to be a Director on 27 October 2011.
9. John Bowman ceased to be a Director on 27 October 2011.
10. Mark Wood and Graham Harding were appointed to the Board on 27 October 2011.

# Directors' remuneration report continued

## Directors' interests in share schemes (audited)

Details of options and other share incentives held by executive Directors and movements during the year are set out below along with details of the awards made during the year.

| Directors in office at 30 September 2011 | Date of grant | Price paid for grant | Earliest exercise date | Expiry date | Exercise price per share (p) | Balance at 1 Oct 2010 | Vested/ exercised during the year[5] | Granted during the year[6] | Lapsed unexercised during the year | Balance at 30 Sept 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Executive discretionary share option schemes**[1] | | | | | | | | | | |
| John Bowman | 19 Nov 2001 | Nil | 19 Nov 2004 | 19 Nov 2011 | 47 | 200,000 | – | – | – | **200,000** |
| **PSP**[2] | | | | | | | | | | |
| Stevie Spring | 5 Dec 2007 | Nil | 5 Dec 2010 | N/A | Nil | 931,298 | – | – | (931,928) | **–** |
| | 19 Dec 2008 | Nil | 19 Dec 2011 | N/A | Nil | 1,876,923 | – | – | – | **1,876,923** |
| | 27 Nov 2009 | Nil | 27 Nov 2012 | N/A | Nil | 2,000,000 | – | – | – | **2,000,000** |
| | 21 Dec 2010 | Nil | 21 Dec 2013 | N/A | Nil | – | – | 1,666,667 | – | **1,666,667** |
| John Bowman | 5 Dec 2007 | Nil | 5 Dec 2010 | N/A | Nil | 751,145 | – | – | (751,145) | **–** |
| | 19 Dec 2008 | Nil | 19 Dec 2011 | N/A | Nil | 1,513,846 | – | – | – | **1,513,846** |
| | 27 Nov 2009 | Nil | 27 Nov 2012 | N/A | Nil | 1,230,000 | – | – | – | **1,230,000** |
| | 21 Dec 2010 | Nil | 21 Dec 2013 | N/A | Nil | – | – | 1,025,000 | – | **1,025,000** |
| **Deferred Bonus Shares**[3] | | | | | | | | | | |
| Stevie Spring | 19 Dec 2008 | Nil | 19 Dec 2009 & 25 Nov 2010 | N/A | – | 274,214 | (274,214) | – | – | **–** |
| John Bowman | 19 Dec 2008 | Nil | 19 Dec 2009 & 25 Nov 2010 | N/A | – | 18,281 | (18,281) | – | – | **–** |
| **Sharesave**[4] | | | | | | | | | | |
| Stevie Spring | 12 Apr 2010 | Nil | 1 Jun 2013 | 1 Dec 2013 | 15.5 | 58,548 | – | – | – | **58,548** |

| Directors in office at 15 December 2011 | Date of grant | Price paid for grant | Earliest exercise date | Expiry date | Exercise price per share (p) | Balance at 1 Oct 2010 | Vested/ exercised during the year[5] | Granted during the year[6] | Lapsed unexercised during the year | Balance at 30 Sept 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| **PSP**[2] | | | | | | | | | | |
| Graham Harding | 5 Dec 2007 | Nil | 5 Dec 2010 | N/A | Nil | 164,315 | – | – | (164,315) | **–** |
| | 19 Dec 2008 | Nil | 19 Dec 2011 | N/A | Nil | 331,157 | – | – | – | **331,157** |
| | 27 Nov 2009 | Nil | 27 Nov 2012 | N/A | Nil | 269,065 | – | – | – | **269,065** |
| | 21 Dec 2010 | Nil | 21 Dec 2013 | N/A | Nil | – | – | 224,221 | – | **224,221** |
| **Deferred Bonus Shares**[3] | | | | | | | | | | |
| Graham Harding | 19 Dec 2008 | Nil | 19 Dec 2009 & 25 Nov 2010 | N/A | – | 18,281 | (18,281) | – | – | **–** |
| **Sharesave**[4] | | | | | | | | | | |
| Mark Wood | 20 Dec 2010 | Nil | 1 Feb 2014 | 1 Aug 2014 | 16.5 | – | – | 54,545 | – | **54,545** |
| Graham Harding | 22 Dec 2008 | Nil | 1 Feb 2012 | 1 Aug 2012 | 10 | 96,000 | – | – | – | **96,000** |
| **DABS**[7] | | | | | | | | | | |
| Graham Harding | 5 Dec 2007 | Nil | 5 Dec 2010 | N/A | Nil | 72,519 | (72,519) | – | – | **–** |
| | 19 Dec 2008 | Nil | 19 Dec 2011 | N/A | Nil | 118,269 | – | – | – | **118,269** |
| | 21 Dec 2010 | Nil | 21 Dec 2013 | N/A | Nil | – | – | 62,500 | – | **62,500** |

Notes:
1. The performance criteria which applied to this scheme are set out in note 25 on page 71.
2. The performance criteria which apply to the PSP scheme are set out on page 72. All PSP awards held by Stevie Spring and John Bowman lapsed following their resignations on 27 October 2011 due to the failure by the Company to satisfy performance criteria for the pro rata period from the dates of grant until 27 October 2011.
3. Details of the Deferred Bonus Share awards, which have no performance conditions, are set out in note 25 on page 72.
4. Details of the Sharesave scheme, which has no performance conditions, are set out in note 25 on page 71.
5. The market price at the time of vesting of the Deferred Bonus Shares was 20.5p and at the time of vesting of the DABS was 21p.
6. The market price at the time of grant of the PSP awards was 24p, at the time of grant of the Sharesave award was 23.3p and at the time of grant of the DABS award was 24p.
7. Graham Harding is no longer eligible to receive awards under the DABS scheme as an executive Director of the Company, but retains the benefit of awards made prior to his appointment as an executive Director on 27 October 2011.

**Share-based incentive awards granted to other employees**
Executive discretionary share options have been granted over the Company's shares under the share option schemes described in note 25 on pages 69 to 72. Options granted since the 2001 rights issue are subject to performance criteria linked to growth in TSR or EPS, and are summarised in note 25.

**Deferred Annual Bonus Scheme (DABS)**
The DABS is a share-based incentive scheme, intended for senior managers, with levels of participation dependent on the relevant Group company's financial performance during the most recent financial year and, for certain individuals, on Group financial performance. The maximum value of any award of shares granted under the DABS to any one participant is an amount which is equal to a fixed percentage of that eligible participant's annual cash bonus actually received or payable for the previous financial year. The number of shares to be awarded to each eligible participant will be calculated by reference to the market value of a share in the Company on the date of the award.

The shares awarded under the DABS will be transferred to the eligible participant three years after the date of award, subject only to the employee remaining in the employment of the Group throughout those three years.

In December 2010, DABS awards were granted over 752,672 shares to senior managers, the values of which were calculated in respect of each individual by reference to the cash bonus payable to them in respect of the financial year to 30 September 2010. Certain limited DABS awards will be made in the 42-day period following announcement of preliminary results on 24 November 2011.

**Sharesave plan**
The Board wishes to continue to encourage employee share ownership. The Company's Sharesave plan is open to all eligible UK employees at the date an invitation is made. Full details of the Sharesave Plan are set out in note 25 on page 71. In total, under the Company's Sharesave Plan there were, as at 30 September 2011, share options outstanding over 8,667,741 shares. Included in this total are the options granted to executive Directors in the table shown opposite.

It is the Board's intention to continue to consider the issue of invitations to eligible employees each year normally within the period of 42 days following the publication of the Company's interim and/or annual results. The Board is minded to approve the issue of an invitation to all eligible UK employees following announcement of the interim results in May 2012.

**Interests in shares**
The Directors' interests in the issued shares of the Company, and movements since 1 October 2010, are set out on page 23 of the Directors' report. The Directors' interests in discretionary/executive share options and sharesave options are set out on page 38.

**Dilution**
The Remuneration committee has regard to ABI limits on dilution and regularly reviews the number of shares committed under share incentive schemes in any rolling 10-year period and the headroom available for granting share-based incentives in accordance with ABI guidelines on dilution limits.

As at 1 October 2010, the number of shares committed under share-based incentive schemes since 1 October 2000 was 25,237,823.

During the year, a further 4,980,723 shares were committed under share-based incentive schemes, 3,250,799 awards and options lapsed and 273,430 committed shares ceased to be counted because they fell outside the rolling ten-year period.

The total number of shares committed under share-based incentive schemes as at 30 September 2011 was 26,694,317.

As at 30 September 2011, in respect of the 5% dilution limit, the 16,924,822 shares committed minus the 1,426,848 shares held by the EBT represented 4.7%, and in respect of the 10% dilution limit, the 26,694,317 shares committed minus the 1,426,848 shares held by the EBT represents 7.7%.

**Purchase of shares by Employee Benefit Trust**
Due to the restriction of such thresholds the Company would not have been able to issue grants under the PSP or DABS schemes in full from December 2010. As these schemes are an important part of remuneration packages of its senior executives, the committee decided to start to purchase shares into the EBT to allow continued grants. As at the date of last year's annual report, the EBT had purchased 425,000 shares. The EBT purchased a further 1,000,324 shares during December 2010 and April 2011 and as at 15 December 2011 holds 1,426,848 shares.

For the forthcoming year the committee may decide to grant PSP awards to the executive team in the 42-day period following announcement of the preliminary or interim results. In addition, a decision on Sharesave grants has been deferred until the 42-day period following announcement of the interim results for the period ending 31 March 2012.

**Share price during the financial year**
The middle-market price of a share in the Company during the financial year was in the range from 10.5 pence to 30 pence. The average price for the financial year was 20.15 pence and at the end of the financial year the share price was 10.5 pence.

Approved by the Board of Directors and signed on its behalf by:

M. Wolstenholme

**Manjit Wolstenholme**
Chairman of the Remuneration committee
15 December 2011

# Independent auditors' report to the members of Future plc

We have audited the financial statements of Future plc for the year ended 30 September 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated balance sheet, the Company balance sheet, the Consolidated and Company cash flow statements and notes to the Consolidated and Company cash flow statements, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**Respective responsibilities of Directors and auditors**
As explained more fully in the Directors' responsibility statement set out on pages 23 and 25, 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**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 Group's and the parent 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. 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 Group's and of the parent company's affairs as at 30 September 2011 and of the Group's loss and Group's and parent company's cash flows for the year then ended;

:: the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

:: the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

:: the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

**Opinion on other matters prescribed by the Companies Act 2006**
In our opinion:

:: the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;

:: the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

:: the information given in the Corporate Governance report with respect to internal control and risk management systems 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:

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

:: adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

:: the parent company financial statements and the part of the Directors' remuneration report to be audited 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.

Under the Listing Rules we are required to review:

:: the Directors' statement, set out on pages 28 and 29, in relation to going concern;

:: the parts of the Corporate Governance report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

:: certain elements of the report to shareholders by the Board on Directors' remuneration.

**Philip Stokes** (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

15 December 2011

# Financial statements

## Contents

## Financial statements continued

## Consolidated income statement

for the year ended 30 September 2011

| | Note | 2011 £m | 2010 £m |
|---|---|---|---|
| **Revenue** | 1,2 | **141.7** | 151.5 |
| **Operating profit before exceptional items, impairment and amortisation of intangible assets** | 1 | **6.6** | 10.1 |
| Exceptional items | 5 | **(4.8)** | – |
| Impairment of intangible assets | 12 | **(17.1)** | – |
| Amortisation of intangible assets | 12 | **(1.2)** | (2.7) |
| **Operating (loss)/profit** | 3 | **(16.5)** | 7.4 |
| Finance income | 7 | **–** | – |
| Finance costs | 7 | **(1.5)** | (1.8) |
| **Net finance costs** | 7 | **(1.5)** | (1.8) |
| **(Loss)/profit before tax** | 1 | **(18.0)** | 5.6 |
| Tax on (loss)/profit | 8 | **(1.3)** | (0.1) |
| **(Loss)/profit for the year attributable to owners of the parent** | | **(19.3)** | 5.5 |

**Earnings per 1p Ordinary share**

| | Note | 2011 pence | 2010 pence |
|---|---|---|---|
| Basic (loss)/earnings per share | 10 | **(5.9)** | 1.7 |
| Diluted (loss)/earnings per share | 10 | **(5.9)** | 1.6 |

As permitted by the exemption under Section 408 of the Companies Act 2006 no Company income statement is presented.

## Consolidated statement of comprehensive income

for the year ended 30 September 2011

| | Note | 2011 £m | 2010 £m |
|---|---|---|---|
| **(Loss)/profit for the year** | | **(19.3)** | 5.5 |
| Currency translation differences | | **–** | 0.1 |
| Cash flow hedges | 26 | **–** | 0.1 |
| **Other comprehensive income for the year** | | **–** | 0.2 |
| **Total comprehensive (loss)/income for the year attributable to owners of the parent** | | **(19.3)** | 5.7 |

Items in the statement above are disclosed net of tax.

## Consolidated statement of changes in equity

for the year ended 30 September 2011

| Group | Note | Issued share capital £m | Share premium account £m | Merger reserve £m | Treasury reserve £m | Cash flow hedge reserve £m | Accumulated losses £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 October 2009** | | 3.3 | 24.5 | 109.0 | (0.1) | (0.2) | (55.0) | 81.5 |
| **Profit for the year** | | – | – | – | – | – | 5.5 | 5.5 |
| Currency translation differences | | – | – | – | – | – | 0.1 | 0.1 |
| Cash flow hedges | 26 | – | – | – | – | 0.1 | – | 0.1 |
| **Other comprehensive income for the year** | | – | – | – | – | 0.1 | 0.1 | 0.2 |
| **Total comprehensive income for the year** | | – | – | – | – | 0.1 | 5.6 | 5.7 |
| Final dividend relating to 2009 | 9 | – | – | – | – | – | (1.6) | (1.6) |
| Share schemes | | | | | | | | |
| – Value of employees' services | 6 | – | – | – | – | – | 0.5 | 0.5 |
| – Deferred tax on share schemes | 14 | – | – | – | – | – | 0.1 | 0.1 |
| Transfer between reserves | 26 | – | – | – | 0.1 | – | (0.1) | – |
| **Balance at 30 September 2010** | | 3.3 | 24.5 | 109.0 | – | (0.1) | (50.5) | 86.2 |
| **Loss for the year** | | – | – | – | – | – | (19.3) | (19.3) |
| Currency translation differences | | – | – | – | – | – | – | – |
| Cash flow hedges | 26 | – | – | – | – | – | – | – |
| **Other comprehensive income for the year** | | – | – | – | – | – | – | – |
| **Total comprehensive loss for the year** | | – | – | – | – | – | (19.3) | (19.3) |
| Interim dividend relating to 2010 | 9 | – | – | – | – | – | (1.6) | (1.6) |
| Final dividend relating to 2010 | 9 | – | – | – | – | – | (2.0) | (2.0) |
| Share schemes | | | | | | | | |
| – Value of employees' services | 6 | – | – | – | – | – | 0.4 | 0.4 |
| – Deferred tax on share schemes | 14 | – | – | – | – | – | (0.1) | (0.1) |
| Treasury shares acquired | 26 | – | – | – | (0.3) | – | – | (0.3) |
| **Balance at 30 September 2011** | | **3.3** | **24.5** | **109.0** | **(0.3)** | **(0.1)** | **(73.1)** | **63.3** |

## Company statement of changes in equity

for the year ended 30 September 2011

| Company | Note | Issued share capital £m | Share premium account £m | Cash flow hedge reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|
| **Balance at 1 October 2009** | | 3.3 | 24.5 | – | 54.4 | 82.2 |
| **Loss for the year** | | – | – | – | (3.1) | (3.1) |
| Cash flow hedges | 26 | – | – | (0.1) | – | (0.1) |
| **Other comprehensive loss for the year** | | – | – | (0.1) | – | (0.1) |
| **Total comprehensive loss for the year** | | – | – | (0.1) | (3.1) | (3.2) |
| Final dividend relating to 2009 | 9 | – | – | – | (1.6) | (1.6) |
| Share schemes | | | | | | |
| – Value of employees' services | | – | – | – | 0.5 | 0.5 |
| – Deferred tax on share schemes | | – | – | – | 0.1 | 0.1 |
| **Balance at 30 September 2010** | | 3.3 | 24.5 | (0.1) | 50.3 | 78.0 |
| **Loss for the year** | | – | – | – | (3.2) | (3.2) |
| Cash flow hedges | 26 | – | – | 0.1 | – | 0.1 |
| **Other comprehensive income for the year** | | | | 0.1 | – | 0.1 |
| **Total comprehensive income/(loss) for the year** | | – | – | 0.1 | (3.2) | (3.1) |
| Interim dividend relating to 2010 | 9 | – | – | – | (1.6) | (1.6) |
| Final dividend relating to 2010 | 9 | – | – | – | (2.0) | (2.0) |
| Share schemes | | | | | | |
| – Value of employees' services | | – | – | – | 0.4 | 0.4 |
| – Deferred tax on share schemes | | – | – | – | (0.1) | (0.1) |
| **Balance at 30 September 2011** | | **3.3** | **24.5** | **–** | **43.8** | **71.6** |

Financial statements continued

## Consolidated balance sheet

as at 30 September 2011

| | Note | 2011 £m | 2010 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **3.4** | 3.2 |
| Intangible assets – goodwill | 12 | **94.1** | 110.9 |
| Intangible assets – other | 12 | **2.6** | 1.2 |
| Deferred tax | 14 | **1.0** | 0.9 |
| **Total non-current assets** | | **101.1** | 116.2 |
| **Current assets** | | | |
| Inventories | 15 | **3.5** | 3.4 |
| Corporation tax recoverable | | **–** | 0.3 |
| Trade and other receivables | 16 | **22.7** | 23.8 |
| Cash and cash equivalents | 17 | **12.5** | 13.3 |
| **Total current assets** | | **38.7** | 40.8 |
| **Total assets** | | **139.8** | 157.0 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Issued share capital | 24 | **3.3** | 3.3 |
| Share premium account | | **24.5** | 24.5 |
| Merger reserve | 26 | **109.0** | 109.0 |
| Treasury reserve | 26 | **(0.3)** | – |
| Cash flow hedge reserve | 26 | **(0.1)** | (0.1) |
| Accumulated losses | | **(73.1)** | (50.5) |
| **Total equity** | | **63.3** | 86.2 |
| **Non-current liabilities** | | | |
| Financial liabilities – interest-bearing loans and borrowings | 19 | **5.1** | 7.8 |
| Financial liabilities – derivatives | 20 | **0.4** | 0.4 |
| Deferred tax | 14 | **1.8** | 2.0 |
| Provisions | 21 | **2.1** | 0.8 |
| Other non-current liabilities | 22 | **1.9** | 2.4 |
| **Total non-current liabilities** | | **11.3** | 13.4 |
| **Current liabilities** | | | |
| Financial liabilities – interest-bearing loans and borrowings | 19 | **19.2** | 12.9 |
| Financial liabilities – derivatives | 20 | **0.3** | 0.3 |
| Trade and other payables | 18 | **39.6** | 40.8 |
| Corporation tax payable | | **6.1** | 3.4 |
| **Total current liabilities** | | **65.2** | 57.4 |
| **Total liabilities** | | **76.5** | 70.8 |
| **Total equity and liabilities** | | **139.8** | 157.0 |

The financial statements on pages 41 to 73 were approved by the Board of Directors on 15 December 2011 and signed on its behalf by:

**Peter Allen**
Chairman

**Graham Harding**
Group Finance Director

## Company balance sheet

as at 30 September 2011

| | Note | 2011 £m | 2010 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment in Group undertakings | 13 | **159.1** | 159.1 |
| Deferred tax | 14 | **0.1** | 0.2 |
| **Total non-current assets** | | **159.2** | 159.3 |
| **Current assets** | | | |
| Trade and other receivables | 16 | **27.8** | 39.5 |
| Cash and cash equivalents | 17 | **–** | 0.7 |
| **Total current assets** | | **27.8** | 40.2 |
| **Total assets** | | **187.0** | 199.5 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Issued share capital | 24 | **3.3** | 3.3 |
| Share premium account | | **24.5** | 24.5 |
| Cash flow hedge reserve | 26 | **–** | (0.1) |
| Retained earnings | | **43.8** | 50.3 |
| **Total equity** | | **71.6** | 78.0 |
| **Non-current liabilities** | | | |
| Financial liabilities – interest-bearing loans and borrowings | 19 | **4.9** | 7.8 |
| Financial liabilities – derivatives | 20 | **0.4** | 0.4 |
| Provisions | 21 | **0.6** | 0.7 |
| **Total non-current liabilities** | | **5.9** | 8.9 |
| **Current liabilities** | | | |
| Financial liabilities – interest-bearing loans and borrowings | 19 | **6.9** | 5.9 |
| Financial liabilities – non-interest-bearing overdraft | 19 | **6.0** | – |
| Financial liabilities – derivatives | 20 | **0.2** | 0.2 |
| Trade and other payables | 18 | **96.4** | 106.5 |
| **Total current liabilities** | | **109.5** | 112.6 |
| **Total liabilities** | | **115.4** | 121.5 |
| **Total equity and liabilities** | | **187.0** | 199.5 |

The financial statements on pages 41 to 73 were approved by the Board of Directors on 15 December 2011 and signed on its behalf by:

**Peter Allen**
Chairman

**Graham Harding**
Group Finance Director

# Financial statements continued

## Consolidated and Company cash flow statements
for the year ended 30 September 2011

| | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from/(used in) operations | 3.8 | (3.4) | 12.0 | (3.7) |
| Tax received | 1.4 | – | 1.4 | – |
| Interest paid | (1.2) | (0.9) | (1.4) | (1.2) |
| Tax paid | (0.1) | – | (0.2) | – |
| **Net cash generated from/(used in) operating activities** | 3.9 | (4.3) | 11.8 | (4.9) |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | (1.2) | – | (0.8) | – |
| Purchase of magazine titles, websites and trademarks | – | – | (0.2) | – |
| Purchase of computer software and website development | (2.4) | – | (0.8) | – |
| Net movement in amounts owed to/by subsidiaries | – | 3.4 | – | 13.2 |
| **Net cash (used in)/generated from investing activities** | (3.6) | 3.4 | (1.8) | 13.2 |
| **Cash flows from financing activities** | | | | |
| Purchase of own shares by Employee Benefit Trust | (0.3) | – | – | – |
| Draw down of bank loans | 10.0 | 5.0 | – | – |
| Repayment of bank loans | (7.2) | (7.2) | (9.9) | (8.7) |
| Equity dividends paid | (3.6) | (3.6) | (1.6) | (1.6) |
| **Net cash used in financing activities** | (1.1) | (5.8) | (11.5) | (10.3) |
| **Net decrease in cash and cash equivalents** | (0.8) | (6.7) | (1.5) | (2.0) |
| Cash and cash equivalents at beginning of year | 13.3 | 0.7 | 14.6 | 2.7 |
| Exchange adjustments | – | – | 0.2 | – |
| **Cash and cash equivalents at end of year** | 12.5 | (6.0) | 13.3 | 0.7 |

## Notes to the Consolidated and Company cash flow statements
for the year ended 30 September 2011

### A. Cash generated from/(used in) operations
The reconciliation of (loss)/profit for the year to cash flows generated from/(used in) operations is set out below:

| | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| (Loss)/profit for the year | (19.3) | (3.2) | 5.5 | (3.1) |
| Adjustments for: | | | | |
| Depreciation charge | 1.2 | – | 1.6 | – |
| Amortisation of intangible assets | 1.2 | – | 2.7 | – |
| Impairment of intangible assets | 17.1 | – | – | – |
| Share schemes | | | | |
| – Value of employees' services | 0.4 | 0.1 | 0.5 | 0.3 |
| Impairment of fixed asset investment | – | 0.3 | – | 0.2 |
| Finance costs | 1.5 | 1.3 | 1.8 | 1.5 |
| Tax charge/(credit) | 1.3 | (1.8) | 0.1 | (2.1) |
| **Profit/(loss) before changes in working capital and provisions** | 3.4 | (3.3) | 12.2 | (3.2) |
| Movement in provisions | 1.3 | (0.1) | (0.3) | (0.3) |
| Increase in inventories | (0.1) | – | (0.1) | – |
| Decrease/(increase) in trade and other receivables | 1.2 | – | (0.7) | – |
| (Decrease)/increase in trade and other payables | (2.0) | – | 0.9 | (0.2) |
| **Cash generated from/(used in) operations** | 3.8 | (3.4) | 12.0 | (3.7) |

### B. Analysis of net debt

| Group | 1 October 2010 £m | Cash flows £m | Finance leases entered into £m | Other non-cash changes £m | Exchange movements £m | 30 September 2011 £m |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 13.3 | (0.8) | – | – | – | 12.5 |
| Debt due within one year | (12.9) | (2.8) | (0.1) | (3.2) | (0.2) | (19.2) |
| Debt due after more than one year | (7.8) | – | (0.2) | 2.9 | – | (5.1) |
| **Net debt** | (7.4) | (3.6) | (0.3) | (0.3) | (0.2) | (11.8) |

| Company | 1 October 2010 £m | Cash flows £m | Non-cash changes £m | 30 September 2011 £m |
|---|---|---|---|---|
| Cash and cash equivalents | 0.7 | (6.7) | – | (6.0) |
| Debt due within one year | (5.9) | 2.2 | (3.2) | (6.9) |
| Debt due after more than one year | (7.8) | – | 2.9 | (4.9) |
| **Net debt** | (13.0) | (4.5) | (0.3) | (17.8) |

### C. Reconciliation of movement in net debt

| | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| Net debt at start of year | (7.4) | (13.0) | (15.6) | (19.4) |
| Decrease in cash and cash equivalents | (0.8) | (6.7) | (1.5) | (2.0) |
| Movement in borrowings | (2.8) | 2.2 | 9.9 | 8.7 |
| Finance leases entered into | (0.3) | – | – | – |
| Other non-cash changes | (0.3) | (0.3) | (0.3) | (0.3) |
| Exchange movements | (0.2) | – | 0.1 | – |
| **Net debt at end of year** | (11.8) | (17.8) | (7.4) | (13.0) |

## Accounting policies

**Basis of preparation**
The financial statements have been prepared under the historical cost convention, except for derivative financial instruments and share awards which are stated at fair value.

The principal accounting policies applied in the preparation of the consolidated financial statements published in this 2011 Annual Report are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee's (IFRIC) interpretations as adopted by the European Union, applicable as at 30 September 2011, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to present a Company income statement.

**Basis of consolidation**
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, and includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Segment reporting**
The Group is organised and arranged primarily by geographical segment. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker which is considered to be the Board of Future plc.

**Revenue recognition**
Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement once the service has been completed.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts and after eliminating sales within the Group. The following recognition criteria also apply:

- Magazine newsstand circulation and advertising revenue is recognised according to the date that the related publication goes on sale.
- Event income is recognised when the event has taken place.
- Licensing revenue is recognised on the supply of the licensed content.
- Other revenue is recognised at the time of sale or provision of service.

**Foreign currency translation**
***(a) Functional and presentation currency***
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Group's presentation currency.

***(b) Transactions and balances***
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

***(c) Group companies***
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet.

(ii) Income and expenses for each income statement are translated at average exchange rates.

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments existing at the transition date have been treated as assets and liabilities of the acquiring company. Goodwill and fair value adjustments arising on the acquisition of a foreign entity post transition are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**Employee benefits**
***(a) Pension obligations***
The Group has a number of defined contribution plans. For defined contribution plans the Group pays contributions into a privately administered pension plan on a contractual or voluntary basis.
The Group has no further payment obligations once the contributions have been paid. Contributions are charged to the income statement as they are incurred.

***(b) Share-based compensation***

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed over the appropriate service period is determined by reference to the fair value of the awards. The calculation of fair value includes assumptions regarding the number of cancellations and excludes the impact of any non-market vesting conditions (for example, earnings per share). Non-market vesting conditions are included in assumptions about the number of awards that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Shares in the Company are held in trust to satisfy the exercise of awards under certain of the Group's share-based compensation plans and exceptional awards. The trust is consolidated within the Group accounts. These shares are presented in the consolidated balance sheet as a deduction from equity at the market value on the date of acquisition.

***(c) Bonus plans***

The Group recognises a liability and an expense for bonuses taking into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**Leases**

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased assets are classified as finance leases. All other leases are classed as operating leases.

Assets held under finance leases are included as property, plant and equipment at the lower of their fair value at inception or the present value of the minimum lease payments and are depreciated over their estimated economic lives or the finance lease period, whichever is the shorter. The corresponding liability is recorded within borrowings. The interest element of the rental costs is charged against profits over the period of the lease using the actuarial method.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**Tax**

Tax on the profit or loss for the year comprises current tax and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is payable based on taxable profits for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date, along with any adjustment relating to tax payable in previous years. Taxable profit differs from net profit in the income statement in that income or expense items that are taxable or deductible in other years are excluded – as are items that are never taxable or deductible. Current tax assets relate to payments on account not offset against current tax liabilities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled in the appropriate territory.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset against each other where they relate to the same jurisdiction and there is a legally enforceable right to offset.

**Dividends**

Interim dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are paid. Final dividend distributions are recognised in the period in which they are approved.

**Property, plant and equipment**

Property, plant and equipment is stated at cost (or deemed cost) less accumulated depreciation and impairment losses. Certain items of property, plant and equipment that had been revalued to fair value prior to 1 October 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that valuation. Cost includes expenditure that is directly attributable to the acquisition of the items.

**Depreciation**

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment less residual value over estimated useful lives, as follows:

- Leasehold properties and improvements – 50 years or period of the lease if shorter.
- Plant and machinery – between one and five years.
- Equipment, fixtures and fittings – between one and five years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

# Financial statements continued

### Intangible assets

***(a) Goodwill***

All business combinations are accounted for by applying the purchase method of accounting. In respect of business combinations that have occurred since 1 October 2004, goodwill represents the difference between the cost of the acquisition and the fair value of net identifiable assets acquired. In respect of business combinations prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 October 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to appropriate cash generating units (those expected to benefit from the business combination) and it is not subject to amortisation but is tested annually for impairment.

***(b) Titles, trademarks, advertising relationships and other 'magazine and website related' intangibles***

Magazine-related intangible assets have a finite useful life and are stated at cost less accumulated amortisation. Assets acquired as part of a business combination are initially stated at fair value. Amortisation is calculated using the straight-line method to allocate the cost of these intangibles over their estimated useful lives (between one and five years).

Expenditure incurred on the launch of new magazine titles is recognised as an expense in the income statement as incurred.

***(c) Computer software and website development***

Non-integral computer software purchases are stated at cost less accumulated amortisation. Costs incurred in the development of new websites are capitalised only where the cost can be directly attributed to developing the website to operate in the manner intended by management and only to the extent of the future economic benefits expected from its use. These costs are amortised on a straight-line basis over their estimated useful lives (between one and three years). Costs associated with maintaining computer software programmes or websites are recognised as an expense as incurred.

### Impairment tests and Cash-Generating Units (CGUs)

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is not amortised but tested for impairment at least once a year or more frequently when there is an indication that it may be impaired. Therefore, the evolution of general economic and financial trends as well as actual economic performance compared to market expectations represent external indicators that are analysed by the Group, together with internal performance indicators, in order to assess whether an impairment test should be performed more than once a year.

IAS 36 'Impairment of Assets' requires these tests to be performed at the level of each CGU or group of CGUs likely to benefit from acquisition-related synergies, within an operating segment.

Any impairment of goodwill is recorded in the income statement as a deduction from operating income and is never reversed subsequently.

Other intangible assets with a finite life are amortised and are tested for impairment only where there is an indication that an impairment may have occurred.

### Recoverable amount

To determine whether an impairment loss should be recognised, the carrying value of the assets and liabilities of the CGUs or groups of CGUs is compared to their recoverable amount.

Carrying values of CGUs and groups of CGUs tested include goodwill, intangible assets with indefinite useful lives arising from business combinations and assets with finite useful lives (property, plant and equipment, intangible assets and net working capital).

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the best estimate of the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. This estimate is determined, on 30 September, on the basis of the discounted present value of expected future cash flows plus a terminal value and reflects general market sentiment and conditions.

Value in use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. Cash flow projections are based on economic assumptions and forecast trading conditions drawn up by the Group's management, as follows:

- cash flow projections are based on five-year business plans;
- cash flow projections beyond that time frame are extrapolated by applying a zero growth rate to perpetuity; and
- the cash flows obtained are discounted using appropriate rates for the business and the territories concerned.

### Inventories

Inventories are stated at the lower of cost and net realisable value. For raw materials, cost is taken to be the purchase price on a first in, first out basis. For work in progress and finished products, cost is calculated as the direct cost of production. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**Provisions**
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

**Derivative financial instruments and hedging activities**
The Group uses derivative financial instruments to reduce exposure to foreign exchange and interest rate risks and recognises these at fair value in its balance sheet. The Group applies cash flow hedge accounting under IAS 39 in respect of certain instruments held. For instruments for which hedge accounting is applied, gains and losses are taken to equity. Any changes to the fair value of derivatives not hedge accounted for are recognised in the income statement. Any new instruments entered into by the Group will be reviewed on a 'case by case' basis at inception to determine whether they should qualify as hedges and be accounted for accordingly under IAS 39. In accordance with its treasury policy, the Group does not hold or issue any derivative financial instruments for trading purposes.

**Investments**
The Company's investments in subsidiary undertakings are stated at the fair value of consideration payable, including related acquisition costs, less any provisions for impairment.

**Exceptional items**
The Group classifies transactions as exceptional where they relate to an event that falls outside the ordinary activities of the business and where individually or in aggregate they have a material impact on the financial statements. This classification excludes impairment charges made on the carrying value of CGUs or groups of CGUs.

**Critical accounting assumptions and judgements**
The preparation of the accounts under IFRS requires the use of certain critical accounting assumptions and requires management to exercise its judgement and to make estimates in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements are discussed below:

***(a) Intangible fixed assets***
The Group uses forecast cash flow information and estimates of future growth to assess whether goodwill and other intangible fixed assets are impaired. If the results of an operation in future years are adverse to the estimates used for impairment testing, an impairment may be triggered at that point, or a reduction in useful economic life may be required.

***(b) Taxation***
The Group is subject to tax in all territories, and judgement and estimates of future profitability are required to determine the Group's deferred tax position. If the final tax outcome is different to that assumed, resulting changes will be reflected in the income statement or statement of changes in equity as appropriate. The Group corporation tax provision reflects management's estimation of the amount of tax payable for fiscal years with open tax computations where liabilities remain to be agreed with Her Majesty's Revenue and Customs.

***(c) Returns provision***
The Group makes a provision for sales returns at the end of each month. The UK estimate is calculated by looking at the forecast sales projections for the following month of the titles that were on sale at the year-end and providing for any shortfall. The US estimate is made based on a study of the historic levels of returns.

**Standards, interpretations and amendments to published standards adopted by the Group**
There has been no material impact from the adoption of the following new standards, amendments to standards or interpretations which are relevant to the Group:

- Improvements to IFRS 2009.

**Standards, interpretations and amendments to published standards that are not yet effective**
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 October 2011 or later periods but which the Group has chosen not to adopt early. The new standards that could be relevant to the Group's operations are as follows:

- Amendment to IFRS 7 'Financial Instruments: Disclosures' on derecognition.
- IFRS 9 'Financial Instruments'.
- IFRS 10 'Consolidated Financial Statements'.
- IFRS 11 'Joint Arrangements'.
- IFRS 12 'Disclosure of Interests in Other Entities'.
- IFRS 13 'Fair Value Measurement'.
- Amendment to IAS 1 'Presentation of Financial Statements' on Other Comprehensive Income.
- Amendment to IAS 12 'Income Taxes' on deferred tax.
- Amendment to IAS 19 (Revised) 'Employee benefits'.
- IAS 24 (Revised) 'Related Party Disclosures'.
- IAS 27 (Revised) 'Separate Financial Statements'.
- IAS 28 (Revised) 'Investment in Associates'.
- Improvements to IFRS 2010.

**Standards, interpretations and amendments to published standards that are effective but not relevant for the Group's operations**

- Amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards' for additional exemptions.
- Amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards' – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters.
- Amendment to IFRS 2 'Share-based Payment' on group cash-settled share-based payment transactions.
- Amendment to IAS 32 'Financial Instruments: Presentation on classification of rights issues'.
- IFRIC 15 'Arrangements for the Construction of Real Estate'.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'.

## Financial statements continued

# Notes to the financial statements

### 1. Segmental reporting

The Group is organised and arranged primarily by geographical segment. The Board of Future plc considers the performance of the business from a geographical perspective, namely the UK and the US. The Australian business is considered to be part of the UK segment and is not separately reported.

**(a) Geographical segment**

***(i) Segment revenue***

| | 2011 £m | 2010 £m |
|---|---|---|
| UK | **103.4** | 105.9 |
| US | **38.8** | 46.2 |
| Revenue between segments | **(0.5)** | (0.6) |
| **Total** | **141.7** | 151.5 |

Revenue from external parties is measured in a manner consistent with that in the income statement. Transactions between segments are carried out at arm's length.

***(ii) Segment EBITAE***

| | 2011 £m | 2010 £m |
|---|---|---|
| UK | **12.5** | 12.9 |
| US | **(3.5)** | 0.2 |
| Central costs | **(2.4)** | (3.0) |
| **Total segment EBITAE** | **6.6** | 10.1 |

EBITAE is used by the Board to assess the performance of each segment. Segment EBITAE represents the EBITAE earned by each segment without the allocation of central administration costs.

A reconciliation of total segment EBITAE to (loss)/profit before tax is provided as follows:

| | 2011 £m | 2010 £m |
|---|---|---|
| **Total segment EBITAE** | **6.6** | 10.1 |
| Exceptional items | **(4.8)** | – |
| Impairment of intangible assets | **(17.1)** | – |
| Amortisation of intangible assets | **(1.2)** | (2.7) |
| Net finance costs | **(1.5)** | (1.8) |
| **(Loss)/profit before tax** | **(18.0)** | 5.6 |

***(iii) Segment assets and liabilities***

| | Segment assets | | Segment liabilities | | Segment net assets/ (liabilities) | |
|---|---|---|---|---|---|---|
| | 2011 £m | 2010 £m | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| UK | **123.0** | 121.4 | **(52.3)** | (49.7) | **70.7** | 71.7 |
| US | **16.8** | 35.6 | **(24.2)** | (21.1) | **(7.4)** | 14.5 |
| **Total** | **139.8** | 157.0 | **(76.5)** | (70.8) | **63.3** | 86.2 |

***(iv) Other segment information***

| | Capital expenditure | | Depreciation and amortisation | | Impairment charges | | Exceptional items | |
|---|---|---|---|---|---|---|---|---|
| | 2011 £m | 2010 £m | 2011 £m | 2010 £m | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| UK | **2.2** | 0.8 | **1.2** | 2.3 | **–** | – | **4.4** | – |
| US | **1.8** | 0.9 | **1.2** | 2.0 | **17.1** | – | **0.4** | – |
| **Total** | **4.0** | 1.7 | **2.4** | 4.3 | **17.1** | – | **4.8** | – |

Other than the items disclosed above and a share-based payments charge of £0.4m (2010: £0.5m) there were no other significant non-cash expenses during the year.

### 1. Segmental reporting (continued)
### (b) Business segment

After geographical location, the Group is managed into four principal business segments. Each business segment comprises groups of individual magazines, websites and events, combined according to the market sector in which they operate. The Group considers that the assets within each segment are exposed to the same risks.

***(i) Revenue by segment***

| | 2011 £m | 2010 £m |
|---|---|---|
| Games | **39.2** | 43.0 |
| Music & Movies | **32.4** | 34.9 |
| Technology | **37.8** | 41.5 |
| Active | **32.8** | 32.7 |
| Revenue between segments | **(0.5)** | (0.6) |
| **Total** | **141.7** | 151.5 |

***(ii) Gross profit by segment***

| | 2011 £m | 2010 £m |
|---|---|---|
| Games | **7.7** | 9.0 |
| Music & Movies | **5.7** | 7.9 |
| Technology | **9.0** | 10.9 |
| Active | **8.2** | 7.1 |
| Add back: distribution expenses | **11.2** | 12.0 |
| **Total** | **41.8** | 46.9 |

### 2. Revenue

An additional analysis of the Group's revenue is shown below:

| | 2011 £m | 2010 £m |
|---|---|---|
| Circulation | **80.7** | 88.7 |
| Advertising | **43.4** | 45.4 |
| Customer publishing | **12.1** | 11.6 |
| Licensing, events and other | **5.5** | 5.8 |
| **Total** | **141.7** | 151.5 |

### 3. Operating (loss)/profit

| | 2011 £m | 2010 Restated* £m |
|---|---|---|
| Revenue | **141.7** | 151.5 |
| Cost of sales | **(99.9)** | (104.6) |
| Gross profit | **41.8** | 46.9 |
| Distribution expenses | **(11.2)** | (12.0) |
| Administration expenses | **(24.0)** | (24.8) |
| Exceptional items | **(4.8)** | – |
| Impairment of intangible assets | **(17.1)** | – |
| Amortisation of intangible assets | **(1.2)** | (2.7) |
| **Operating (loss)/profit** | **(16.5)** | 7.4 |

* During the year, direct IT costs relating to specific websites were reclassified from administration expenses to cost of sales. The 2010 administration expenses and cost of sales in the table above are shown restated on a comparable basis, increasing cost of sales by £0.4m and reducing administration expenses by £0.4m. There is no change to the 2010 operating profit.

# Financial statements continued

## 4. Fees payable to auditors

| | 2011 £m | 2010 £m |
|---|---|---|
| Fees payable in respect of the audit of the accounts of the Company and consolidated financial statements | 0.1 | 0.1 |
| Fees payable for other services: | | |
| – In respect of the audit of the accounts of the Company's subsidiaries | 0.1 | 0.1 |
| – Tax services | 0.2 | 0.2 |
| – Other services | 0.1 | – |
| **Total fees** | **0.5** | 0.4 |

## 5. Exceptional items

| | 2011 £m | 2010 £m |
|---|---|---|
| Property costs | 1.5 | – |
| Restructuring and redundancy costs | 2.4 | – |
| Other costs | 0.9 | – |
| **Total** | **4.8** | – |

The property costs relate to a vacant property provision made against surplus office space.

The restructuring and redundancy costs relate to staff termination payments following restructuring of the UK and US businesses in line with the Group's strategy.

Other costs relate to ongoing commercial dispute resolution.

## 6. Employees

| | 2011 £m | 2010 £m |
|---|---|---|
| Wages and salaries | 46.8 | 44.2 |
| Social security costs | 5.9 | 5.7 |
| Other pension costs | 1.1 | 1.1 |
| Share schemes | | |
| – Value of employees' services | 0.4 | 0.5 |
| **Total staff costs** | **54.2** | 51.5 |

| **Average monthly number of people (including executive Directors)** | 2011 No. | 2010 No. |
|---|---|---|
| Production | 954 | 949 |
| Administration | 228 | 212 |
| **Total** | **1,182** | 1,161 |

At 30 September 2011, the actual number of people employed by the Group was 1,172 (2010: 1,199). In respect of our primary segments 950 (2010: 964) were employed in the UK and 222 (2010: 235) were employed in the US.

IFRS 2 'Share-based Payment' requires an expense for equity instruments granted to be recognised over the appropriate vesting period, measured at their fair value at the date of grant.

The Group has used the Black-Scholes model to value instruments with non-market-based performance criteria such as earnings per share. For instruments with market-based performance criteria, notably total shareholder return, the Group has used a Monte Carlo model to determine the fair value. Further details are given in note 25.

The expense for the year of £0.4m (2010: £0.5m) has been credited to reserves.

## 6. Employees (continued)

***Key management personnel compensation***

| | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| Salaries and other short-term employee benefits | **0.9** | **0.9** | 1.1 | 1.1 |
| Post-employment benefits | **0.1** | **0.1** | 0.1 | 0.1 |
| Share schemes | | | | |
| – Value of employees' services | **0.1** | **0.1** | 0.3 | 0.3 |
| **Total** | **1.1** | **1.1** | 1.5 | 1.5 |

Key management personnel are deemed to be the members of the Board of Future plc. It is this Board which has responsibility for planning, directing and controlling the activities of the Group.

Further details on the Directors' remuneration and interests are given in the Directors' remuneration report on pages 32 to 39. The highest paid Director during the year was Stevie Spring (2010: Stevie Spring) and details of her remuneration are shown on page 37.

## 7. Finance income and costs

| | 2011 £m | 2010 £m |
|---|---|---|
| Interest receivable | **–** | – |
| **Total finance income** | **–** | – |
| Interest payable on interest-bearing loans and borrowings | **(1.1)** | (1.4) |
| Fair value loss on interest rate derivatives | **–** | (0.1) |
| Exchange gains | **–** | 0.1 |
| Amortisation of bank loan arrangement fees | **(0.3)** | (0.3) |
| Other finance costs | **(0.1)** | (0.1) |
| **Total finance costs** | **(1.5)** | (1.8) |
| **Net finance costs** | **(1.5)** | (1.8) |

## 8. Tax on (loss)/profit

The tax charged in the consolidated income statement is analysed below:

| | 2011 £m | 2010 £m |
|---|---|---|
| **UK corporation tax** | | |
| Current tax at 27% (2010: 28%) on the profit for the year | **0.9** | 1.9 |
| Adjustments in respect of previous years | **0.7** | (1.3) |
| | **1.6** | 0.6 |
| **Foreign tax** | | |
| Current tax on the loss for the year | **–** | – |
| Adjustments in respect of previous years | **–** | (1.6) |
| **Current tax** | **1.6** | (1.0) |
| **Deferred tax origination and reversal of timing differences** | | |
| Current year charge/(credit) | **0.4** | (0.1) |
| Adjustments in respect of previous years | **(0.7)** | 1.2 |
| **Deferred tax** | **(0.3)** | 1.1 |
| **Total tax charge** | **1.3** | 0.1 |

The tax assessed in each period differs from the standard rate of corporation tax in the UK for the relevant period. The differences are explained below:

| | 2011 £m | 2010 £m |
|---|---|---|
| (Loss)/profit before tax | **(18.0)** | 5.6 |
| (Loss)/profit before tax at the standard UK tax rate of 27% (2010: 28%) | **(4.9)** | 1.6 |
| Different tax rates applicable overseas | **(2.7)** | (0.2) |
| Effect of change in deferred tax rate | **(0.1)** | – |
| Intangible assets: differences relating to impairment | **6.7** | – |
| Losses created or utilised | **–** | (0.3) |
| Losses and other timing differences in respect of tax in the US | **2.0** | 0.6 |
| Other net disallowable items | **0.3** | 0.1 |
| Impact of prior year adjustments | **–** | (1.7) |
| **Total tax charge** | **1.3** | 0.1 |

# Financial statements continued

## 9. Dividends

| Equity dividends | 2011 | 2010 |
|---|---|---|
| Number of shares in issue at end of year (million) | 328.8 | 328.0 |
| Dividends paid in year (pence per share) | 1.1 | 0.5 |
| **Dividends paid in year (£m)** | 3.6 | 1.6 |

No final dividend in respect of the year ended 30 September 2011 is to be proposed at the Annual General Meeting on 8 February 2012. The interim dividend for the six-month period to 31 March 2011 of 0.5 pence per share, amounting to £1.6m, was paid on 3 October 2011. The financial statements do not reflect this dividend.

Whilst the Board recognises that, based on the full year adjusted EPS, the interim dividend of 0.5 pence per share paid on 3 October 2011 does not comply with its policy on dividend cover, it retains that policy for future dividends, namely that any such dividend should be covered at least two times by adjusted earnings per share.

The dividends totalling £3.6m paid during the year ended 30 September 2011 relate to the interim dividend for the six-month period to 31 March 2010 of 0.5 pence per share (£1.6m) and the final dividend declared for the year ended 30 September 2010 of 0.6 pence per share (£2.0m).

The dividend totalling £1.6m paid during the year ended 30 September 2010 relates to the final dividend declared for the year ended 30 September 2009 of 0.5 pence per share.

## 10. Earnings per share

Basic earnings per share are calculated using the weighted average number of Ordinary shares in issue during the year. Diluted earnings per share have been calculated by taking into account the dilutive effect of shares that would be issued on conversion into Ordinary shares of awards held under employee share schemes.

Adjusted earnings per share removes the effect of exceptional items, impairment and amortisation of intangible assets and any related tax effects from the calculation as follows:

***Adjustments to (loss)/profit after tax***

| | 2011 £m | 2010 £m |
|---|---|---|
| **(Loss)/profit after tax** | (19.3) | 5.5 |
| Add: Exceptional items | 4.8 | – |
| Add: Impairment of intangible assets | 17.1 | – |
| Add: Amortisation of intangible assets | 1.2 | 2.7 |
| Tax effect of the above adjustments | (1.6) | (0.3) |
| **Adjusted profit after tax** | 2.2 | 7.9 |

| | 2011 | 2010 |
|---|---|---|
| Weighted average number of shares in issue during the year: | | |
| – Basic | 327,526,863 | 327,314,532 |
| – Dilutive effect of share options | 6,070,662 | 8,442,387 |
| – Diluted | 333,597,525 | 335,756,919 |
| Basic (loss)/earnings per share (in pence) | (5.9) | 1.7 |
| Adjusted basic earnings per share (in pence) | 0.7 | 2.4 |
| Diluted (loss)/earnings per share (in pence) | (5.9) | 1.6 |
| Adjusted diluted earnings per share (in pence) | 0.7 | 2.3 |

The share options do not have a dilutive effect where there is a loss.

### 10. Earnings per share (continued)

The adjustments to (loss)/profit have the following effect:

| | 2011 pence | 2010 pence |
|---|---|---|
| **Basic (loss)/earnings per share** | **(5.9)** | 1.7 |
| Exceptional items | **1.5** | – |
| Impairment of intangible assets | **5.2** | – |
| Amortisation of intangible assets | **0.4** | 0.8 |
| Tax effect of the above adjustments | **(0.5)** | (0.1) |
| **Adjusted basic earnings per share** | **0.7** | 2.4 |
| | | |
| **Diluted (loss)/earnings per share** | **(5.9)** | 1.6 |
| Exceptional items | **1.5** | – |
| Impairment of intangible assets | **5.2** | – |
| Amortisation of intangible assets | **0.4** | 0.8 |
| Tax effect of the above adjustments | **(0.5)** | (0.1) |
| **Adjusted diluted earnings per share** | **0.7** | 2.3 |

### 11. Property, plant and equipment

| Group | Land and buildings £m | Plant and machinery £m | Equipment, fixtures and fittings £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 October 2009 | 3.9 | 6.0 | 2.6 | 12.5 |
| Additions | – | 0.6 | 0.1 | 0.7 |
| Disposals | – | (0.5) | – | (0.5) |
| At 30 September 2010 | **3.9** | **6.1** | **2.7** | **12.7** |
| Additions | **0.4** | **0.8** | **0.1** | **1.3** |
| Disposals | **–** | **(1.2)** | **–** | **(1.2)** |
| Exchange adjustments | **0.1** | **–** | **–** | **0.1** |
| **At 30 September 2011** | **4.4** | **5.7** | **2.8** | **12.9** |
| | | | | |
| **Depreciation** | | | | |
| At 1 October 2009 | (1.8) | (4.7) | (1.9) | (8.4) |
| Charge for the year | (0.4) | (0.9) | (0.3) | (1.6) |
| Disposals | – | 0.5 | – | 0.5 |
| At 30 September 2010 | **(2.2)** | **(5.1)** | **(2.2)** | **(9.5)** |
| Charge for the year | **(0.3)** | **(0.7)** | **(0.2)** | **(1.2)** |
| Disposals | **–** | **1.2** | **–** | **1.2** |
| **At 30 September 2011** | **(2.5)** | **(4.6)** | **(2.4)** | **(9.5)** |
| | | | | |
| **Net book value at 30 September 2011** | **1.9** | **1.1** | **0.4** | **3.4** |
| Net book value at 30 September 2010 | 1.7 | 1.0 | 0.5 | 3.2 |
| Net book value at 1 October 2009 | 2.1 | 1.3 | 0.7 | 4.1 |

Asset lives and residual values are reviewed annually.

Assets held under finance leases included above were:

| Group | Plant and machinery £m |
|---|---|
| **Cost** | |
| At 1 October 2009 and 30 September 2010 | – |
| Additions | 0.1 |
| **At 30 September 2011** | **0.1** |
| | |
| **Depreciation** | |
| At 1 October 2009 and 30 September 2010 | – |
| Charge for the year | – |
| **At 30 September 2011** | **–** |
| | |
| **Net book value at 30 September 2011** | **0.1** |
| Net book value at 30 September 2010 | – |
| Net book value at 1 October 2009 | – |

# Financial statements continued

## 12. Intangible assets

| Group | Goodwill £m | Magazine and website £m | Other £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 October 2009 | 313.2 | 15.0 | 7.1 | 335.3 |
| Additions | – | 0.1 | 0.9 | 1.0 |
| Exchange adjustments | 0.2 | 0.1 | – | 0.3 |
| At 30 September 2010 | 313.4 | 15.2 | 8.0 | 336.6 |
| Additions | – | 0.1 | 2.6 | 2.7 |
| Disposals | – | – | (0.1) | (0.1) |
| Exchange adjustments | 0.3 | – | 0.1 | 0.4 |
| **At 30 September 2011** | **313.7** | **15.3** | **10.6** | **339.6** |
| **Amortisation** | | | | |
| At 1 October 2009 | (202.4) | (13.7) | (5.6) | (221.7) |
| Charge for the year | – | (1.2) | (1.5) | (2.7) |
| Exchange adjustments | (0.1) | – | – | (0.1) |
| At 30 September 2010 | (202.5) | (14.9) | (7.1) | (224.5) |
| Charge for the year | – | (0.2) | (1.0) | (1.2) |
| Impairment charge | (17.1) | – | – | (17.1) |
| Disposals | – | – | 0.1 | 0.1 |
| Exchange adjustments | – | (0.1) | (0.1) | (0.2) |
| **At 30 September 2011** | **(219.6)** | **(15.2)** | **(8.1)** | **(242.9)** |
| **Net book value at 30 September 2011** | **94.1** | **0.1** | **2.5** | **96.7** |
| Net book value at 30 September 2010 | 110.9 | 0.3 | 0.9 | 112.1 |
| Net book value at 1 October 2009 | 110.8 | 1.3 | 1.5 | 113.6 |

Assets held under finance leases included above were:

| Group | Other £m |
|---|---|
| **Cost** | |
| At 1 October 2009 and 30 September 2010 | – |
| Additions | 0.2 |
| **At 30 September 2011** | **0.2** |
| **Amortisation** | |
| At 1 October 2009 and 30 September 2010 | – |
| Charge for the year | – |
| **At 30 September 2011** | **–** |
| **Net book value at 30 September 2011** | **0.2** |
| Net book value at 30 September 2010 | – |
| Net book value at 1 October 2009 | – |

Magazine and website related assets relate mainly to trademarks, advertising relationships and customer lists. These assets are amortised over their estimated economic lives, typically ranging between one and five years.

Any residual amount arising as a result of the purchase consideration being in excess of the value of identified magazine related assets is recorded as goodwill. Goodwill is not amortised under IFRS, but is subject to impairment testing either annually or on the occurrence of some triggering event. Goodwill is recorded and tested for impairment on a territory by territory basis.

Other intangibles relate to capitalised software costs and website development costs.

## 12. Intangible assets (continued)

**Impairment tests for goodwill and other intangibles**

The breakdown of the goodwill balance at 30 September 2011 comprises:

| | 2011 £m | 2010 £m |
|---|---|---|
| UK | **89.1** | 89.1 |
| US | **5.0** | 21.8 |
| **Total** | **94.1** | 110.9 |

The basis for calculating recoverable amounts is described in the accounting policies.

Trends in the economic and financial environment, competition and regulatory authorities' decisions, or changes in competitor behaviour in response to the economic environment may affect the estimate of recoverable amounts, as will unforeseen changes in the political, economic or legal systems of some countries.

Other assumptions that influence estimated recoverable amounts are set out below:

At 30 September 2011

| | UK | US |
|---|---|---|
| Basis of recoverable amount | Value in use | Value in use |
| Source used | Five year plans<br>Discounted cash flow | Five year plans<br>Discounted cash flow |
| Growth rate to perpetuity | Nil | Nil |
| EBITDA margins assumed | 11.1% to 12.8% | -10.3% to 9.2% |
| Post-tax discount rate | 8.5% | 8.5% |
| Pre-tax discount rate | 11.4% | 11.4% |

At 30 September 2010

| | UK | US |
|---|---|---|
| Basis of recoverable amount | Value in use | Value in use |
| Source used | Five year plans<br>Discounted cash flow | Five year plans<br>Discounted cash flow |
| Growth rate to perpetuity | Nil | Nil |
| EBITDA margins assumed | 11.3% to 12.1% | 1.5% to 7.0% |
| Post-tax discount rate | 8.5% | 8.5% |
| Pre-tax discount rate | 11.4% | 11.4% |

In accordance with IAS 36 the basis used for impairment testing (value in use or fair value less costs to sell) may vary from one period to another; the recoverable amount is the higher of estimated value in use and fair value less costs to sell. In the year ended 30 September 2011, as a result of the restructuring actions relating to the US business, certain assets have been valued on the basis of fair value less costs to sell based on indicative market prices rather than a value in use calculation.

**Sensitivity of recoverable amounts**

At 30 September 2011 the analysis of the recoverable amounts gave rise to the following assessments of sensitivity:

(i) UK
The value in use of the UK business would be equal to the carrying value of the assets if the discount rate was 5.0% higher or if forecast cash flows were 31.6% lower.

(ii) US
For the US an impairment charge has been recorded in the year as noted below. Therefore the value in use and fair value less costs to sell are effectively the same as the carrying value. Any future performance which falls slightly short of that used to determine those values would be liable to result in a further impairment. A change of plus or minus 0.5% in the post tax discount rate would decrease or increase respectively the recoverable amount by £0.3m. Likewise a change of plus or minus 0.5% in the perpetual growth rate would increase or decrease respectively the recoverable amount by £0.2m. Lastly a 10% increase or decrease in cash flows after the fifth year would increase or decrease respectively the recoverable amount by £0.5m.

**Impairment**

At 30 September 2011 an impairment charge of £17.1m has been taken against the carrying value of the US business. This reflects the trading patterns over the past three years and the challenging economic and trading environment in which the planned restructuring activities for the business are taking place.

# Financial statements continued

## 13. Investments

| Company | 2011 £m | 2010 £m |
|---|---|---|
| **Shares in Group undertakings** | | |
| At beginning and end of year | **159.1** | 159.1 |

## 14. Deferred tax assets and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and prior years:

| | Intangible assets £m | Share-based payments £m | Depreciation vs tax allowances £m | Tax losses £m | Provisions and other timing differences £m | Total £m |
|---|---|---|---|---|---|---|
| At 1 October 2009 | (2.4) | 0.2 | 0.6 | 2.8 | (4.2) | (3.0) |
| Credited/(charged) to income statement | 0.2 | (0.1) | – | (2.2) | 1.0 | (1.1) |
| Credited to equity | – | 0.1 | – | – | – | 0.1 |
| Transfers | 0.2 | – | – | – | 2.7 | 2.9 |
| At 30 September 2010 | **(2.0)** | **0.2** | **0.6** | **0.6** | **(0.5)** | **(1.1)** |
| Credited/(charged) to income statement | **0.2** | **–** | **(0.2)** | **(0.1)** | **0.5** | **0.4** |
| Charged to equity | **–** | **(0.1)** | **–** | **–** | **–** | **(0.1)** |
| **At 30 September 2011** | **(1.8)** | 0.1 | 0.4 | 0.5 | **–** | **(0.8)** |

The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% with effect from 1 April 2011. In his Budget speech on 23 March 2011 the Chancellor announced a further reduction in the rate of corporation tax to 26% with effect from 1 April 2011. This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011.

The Finance Act 2011 includes legislation to reduce the main rate of corporation tax from 26% to 25% with effect from 1 April 2012.

The change in rate had no material impact on the Group's deferred tax assets and liabilities.

Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 which are expected to be enacted separately each year. The changes had not been substantively enacted at the balance sheet date and therefore any impacts arising are not included in these financial statements. The overall effect of the further changes from 25% to 23%, if these were applied to the deferred tax balances at 30 September 2011, would be to reduce the deferred tax liability by approximately £0.1m and reduce the deferred tax asset by approximately £0.1m, spread evenly between 2012 and 2013.

Certain deferred tax assets and liabilities have been offset against each other where they relate to the same jurisdiction. The following is the analysis of deferred tax balances after offset for balance sheet purposes:

| | 2011 £m | 2010 £m |
|---|---|---|
| Deferred tax assets | **1.0** | 0.9 |
| Deferred tax liabilities | **(1.8)** | (2.0) |
| **Net deferred tax liability** | **(0.8)** | (1.1) |

The deferred tax asset of £1.0m (2010: £0.9m) is disclosed as a non-current asset of which the assets due within one year total £0.2m (2010: £0.3m). The deferred tax liability of £1.8m (2010: £2.0m) is disclosed as a non-current liability of which the liabilities due within one year total £nil (2010: £nil).

As at 30 September 2011 the Group has:

- unprovided deferred tax assets on tax losses totalling £13.7m (2010: £10.8m) of which £5.7m (2010: £2.1m) arises in the US; and
- unprovided deferred tax assets on other temporary differences totalling £nil (2010: £0.9m) of which £nil (2010: £0.9m) arises in the US.

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be recovered.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as any remitted earnings would not give rise to a tax liability in the foreseeable future.

The deferred tax asset recognised on the Company's balance sheet is in respect of share-based payments. The Company has no unprovided deferred tax assets or liabilities at 30 September 2011 (2010: £nil).

## 15. Inventories

| | 2011 £m | 2010 £m |
|---|---|---|
| Raw materials | **1.0** | 1.2 |
| Work in progress | **1.9** | 1.9 |
| Finished goods | **0.6** | 0.3 |
| **Total** | **3.5** | 3.4 |

The cost of raw material inventories recognised as an expense and included within cost of sales amounted to £12.9m (2010: £12.8m).

## 16. Trade and other receivables

| | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| **Current assets:** | | | | |
| Trade receivables | **18.1** | **–** | 19.5 | – |
| Provisions for impairment of trade receivables | **(0.6)** | **–** | (0.5) | – |
| Trade receivables net | **17.5** | **–** | 19.0 | – |
| Amounts owed by Group undertakings | **–** | **27.8** | – | 39.5 |
| Other receivables | **0.5** | **–** | 0.1 | – |
| Prepayments and accrued income | **4.6** | **–** | 4.7 | – |
| | **22.6** | **27.8** | 23.8 | 39.5 |
| **Non-current assets:** | | | | |
| Other receivables | **0.1** | **–** | – | – |
| **Total** | **22.7** | **27.8** | 23.8 | 39.5 |

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Receivable balances from the two main magazine distributors, one in the UK segment and one in the US segment, represented 24% of the Group's trade receivables balance at 30 September 2011.

The average credit period taken on sales is 45 days (2010: 45 days). The Group has provided for estimated irrecoverable amounts in accordance with its accounting policy described on page 50 of these financial statements.

Credit checks are obtained and, if applicable, guarantees put in place before a new customer is accepted and terms and credit limits are agreed. Bookings are not taken before all these factors have been fulfilled. In addition, annual credit checks are carried out and fully documented. Final decisions on credit terms are made by an appropriate senior manager within advertising or finance. In the event of a request to increase a customer's credit limit the following factors will be considered: trading history to date, re-review of credit status and review of the reason for the increase.

Included within the Group's trade receivables balance are debtors with a carrying amount of £3.7m (2010: £4.6m) which are past due at the reporting date but for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable. These relate to advertising and licensing debtors in the UK and US. The Group does not hold any security over these balances. A breakdown of the ageing is as set out below:

| Past due | Group 2011 £m | Group 2010 £m |
|---|---|---|
| 0–30 days | **2.3** | 3.0 |
| 31–60 days | **0.7** | 1.0 |
| 61–90 days | **0.5** | 0.5 |
| 91+ days | **0.2** | 0.1 |
| **Total** | **3.7** | 4.6 |

As at 30 September 2011, trade receivables of £0.6m (2010: £0.5m) were impaired and provided for. The individually impaired receivables mainly relate to advertising and licensing customers. It is assessed that a portion of the receivables is expected to be recovered. These receivables are all more than 60 days old.

# Financial statements continued

### 16. Trade and other receivables (continued)

The movement in the Group provision for trade receivables during the year is as follows:

| | Group 2011 £m | Group 2010 £m |
|---|---|---|
| At 1 October | 0.5 | 1.3 |
| Provision for receivables impaired | 0.3 | (0.1) |
| Receivables written off during the year | (0.2) | (0.7) |
| **At 30 September** | **0.6** | 0.5 |

The creation and release of provision for impaired receivables have been included in administration expenses in the income statement. Amounts charged to the allowance account are written off when there is no realistic expectation of recovering additional cash.

The other asset classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security for trade receivables.

All the Company's receivables are with Group undertakings and no additional disclosure in relation to credit risk is required. Interest on £0.3m of the amounts owed by Group undertakings has been charged at three-month LIBOR + 2.8%. The balance of amounts owed by Group undertakings is interest-free without any terms for repayment.

### 17. Cash and cash equivalents

| | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| Cash at bank and in hand | 12.5 | – | 13.3 | 0.7 |
| **Cash and cash equivalents (excluding bank overdraft)** | **12.5** | **–** | 13.3 | 0.7 |

Cash and cash equivalents include the following for the purposes of the cash flow statements:

| | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| Cash at bank and in hand | 12.5 | – | 13.3 | 0.7 |
| Bank overdraft (note 19) | – | (6.0) | – | – |
| **Cash and cash equivalents** | **12.5** | **(6.0)** | 13.3 | 0.7 |

The Group has a number of authorised counterparties with whom cash balances are held in the countries in which the Group operates. Credit risk is minimised by considering the credit standing of all potential bankers before selecting them by the use of external credit ratings.

The Company has a non-interest-bearing overdraft of £6.0m (2010: nil) which forms part of the Group cash pooling account and can be offset against cash balances in other Group companies.

### 18. Trade and other payables

| | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| Trade payables | 15.0 | – | 15.7 | – |
| Amounts owed to Group undertakings | – | 96.3 | – | 106.3 |
| Other taxation and social security | 1.2 | – | 1.2 | – |
| Other payables | 0.6 | – | 1.3 | – |
| Accruals and deferred income | 22.8 | 0.1 | 22.6 | 0.2 |
| **Total** | **39.6** | **96.4** | 40.8 | 106.5 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 41 days (2010: 42 days). The Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Amounts owed to Group undertakings are unsecured and interest-free without any terms for repayment.

## 19. Financial liabilities – loans, borrowings and overdrafts

***Non-current liabilities***

| | Interest rate at 30 September 2011 | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|---|
| Sterling term loan – unsecured | 3.7% | 4.9 | 4.9 | 7.8 | 7.8 |
| Obligations under finance leases | 3.0% – 15.0% | 0.2 | – | – | – |
| **Total** | | 5.1 | 4.9 | 7.8 | 7.8 |

***Current liabilities***

| | Interest rate at 30 September 2011 | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|---|
| Sterling term loan – unsecured | 3.7% | 2.9 | 2.9 | 3.0 | 3.0 |
| Sterling revolving loan – unsecured | 3.7% | 4.0 | 4.0 | 2.9 | 2.9 |
| US Dollar revolving loan – unsecured | 3.2% | 12.2 | – | 7.0 | – |
| | | 19.1 | 6.9 | 12.9 | 5.9 |
| Obligations under finance leases | 3.0% – 15.0% | 0.1 | – | – | – |
| **Total** | | 19.2 | 6.9 | 12.9 | 5.9 |

The interest-bearing loans and borrowings are repayable as follows:

| | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| Within one year | 19.2 | 6.9 | 12.9 | 5.9 |
| Between one and two years | 5.1 | 4.9 | 2.9 | 2.9 |
| Between two and five years | – | – | 4.9 | 4.9 |
| **Total** | 24.3 | 11.8 | 20.7 | 13.7 |

During the year to 30 September 2011 bank debt was provided under the terms of the banking facility signed in May 2009 and due to mature in November 2012. The bank borrowings and interest were guaranteed by Future plc, Future Holdings 2002 Limited, Future Publishing Limited and Future US, Inc. The total facility available to the Group amounted to £33.6m and this could be drawn in sterling, US Dollars or Euros. Interest payable was calculated as the cost of three-month LIBOR (currently approximately 0.7%) plus an interest margin of between 2.5% and 3.25%, dependent on covenant ratio.

The availability of the facility was subject to certain covenants; the key bank covenants applicable at the end of the year were that: (i) net debt was not to exceed two times Bank EBITDA; (ii) net interest payable was to be covered at least four times by Bank EBITDA. These covenants were tested quarterly on the basis of rolling figures for the preceding 12 months. The covenant position at the year-end is as set out in the following table:

| | 30 September 2011 | Covenant |
|---|---|---|
| Net debt/EBITDA | 1.5 | < 2.0 times |
| EBITDA/Interest | 6.8 | > 4.0 times |

Based on the above calculations the Group had headroom of £4.1m at 30 September 2011.

On 21 November 2011 the Group agreed an extension of the current banking facility for 12 months to 30 November 2013 together with new covenant levels to give the Group flexibility above the two times Net debt/EBITDA covenant level until the quarter ended 30 September 2012 to carry out its restructuring plans. As part of the extension the Group granted security to its banks, gave additional covenants and undertakings including an undertaking by the Board, consistent with the Chairman's statement on dividends, not to declare any dividends or undertake any share buybacks whilst the Net debt/EBITDA ratio is more than two times. Fees relating to the extension amounted to £0.4m and these will be amortised over the remaining term of the facility.

Interest payable under the new banking facility is calculated as the cost of three-month LIBOR (as noted above) plus an interest margin of between 2.5% and 3.75%, dependent on covenant ratio. The key covenants are as set out in the following table:

| Bank covenant | |
|---|---|
| Net debt/EBITDA | Periods from 31 December 2011 to 30 June 2012 – between less than 2.55 and 2.8 times |
| | Periods from 30 September 2012 onwards – less than 2.0 times |
| EBITDA/Interest | More than 4.0 times |
| Cash flow cover | Ratios to be met on a quarterly basis measured against an agreed budget |
| Capital expenditure | 115% of agreed annual budget |

In addition to the above there is a limit of £1.9m on exceptional cash costs which can be excluded from the calculation of Bank EBITDA in the year ended 30 September 2012. The Board is confident that it has sufficient headroom and flexibility under these revised covenants to execute its plans as set out in this Annual Report.

# Financial statements continued

### 19. Financial liabilities – loans, borrowings and overdrafts (continued)
The minimum lease payments due under finance leases are set out below:

| Group | 2011 £m | 2010 £m |
|---|---|---|
| Within one year | 0.1 | – |
| Between one and five years | 0.2 | – |
| **Total** | **0.3** | – |

The present value of minimum lease payments due under finance leases is set out below:

| Group | 2011 £m | 2010 £m |
|---|---|---|
| Within one year | 0.1 | – |
| Between one and five years | 0.2 | – |
| **Total** | **0.3** | – |

The Company has a non-interest-bearing overdraft of £6.0m (2010: £nil) which forms part of the Group cash pooling account and can be offset against cash balances in other Group companies.

### 20. Financial liabilities – derivatives
The fair value of hedging derivatives is split between current and non-current assets or liabilities based on the maturity of the cash flows.

| Non-current liabilities | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| Interest rate derivatives | 0.4 | 0.4 | 0.4 | 0.4 |
| **Total** | **0.4** | **0.4** | 0.4 | 0.4 |

In line with the Board's policy of hedging interest rate risk as disclosed in note 23, the Group has entered into interest rate derivatives to reduce its exposure on a proportion of the outstanding debt under its committed facility.

In October 2007, the Group entered into a UK interest rate collar over £5.0m which has a seven-year period but is cancellable by the bank after four years. The collar has a cap at 6.00% and a floor of 4.65%. In September 2009, the Group entered into a UK interest rate swap for £5.0m which had a fixed rate of 1.91% and expired on 12 October 2011.

A fair value loss for the year of £nil (2010: £0.1m) on interest rate derivatives has been included within finance costs in the income statement.

| Current liabilities | Group 2011 £m | Company 2011 £m | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| Forward foreign exchange contracts | 0.1 | – | 0.1 | – |
| Interest rate derivatives | 0.2 | 0.2 | 0.2 | 0.2 |
| **Total** | **0.3** | **0.2** | 0.3 | 0.2 |

In October 2009 and September 2010, the Group entered into a number of forward foreign exchange contracts to sell Australian Dollars. These contracts had monthly maturity dates and ended in September 2011. In July 2010, the Group entered into a number of forward foreign exchange contracts to sell US Dollars, which had monthly maturity dates and also ended in September 2011.

In May 2011, the Group entered into a number of forward foreign exchange contracts to sell US Dollars and Australian Dollars. These contracts have monthly maturity dates and end in September 2012.

A fair value gain for the year of £nil (2010: £0.1m) on forward foreign exchange contracts has been recognised directly in equity as hedge accounting is applied to these contracts.

The amounts in the tables above are the fair value of financial liabilities using Level 2 – inputs that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

### 20. Financial liabilities – derivatives (continued)

The maturity analysis of the Group's derivative financial liabilities is set out below:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| Group | Interest rate derivatives £m | Forward foreign exchange contracts £m | Interest rate derivatives £m | Forward foreign exchange contracts £m |
| Within one year | **0.2** | **0.1** | 0.2 | 0.1 |
| Between one and two years | **0.2** | **–** | 0.2 | – |
| Between two and five years | **0.2** | **–** | 0.2 | – |
| **Total** | **0.6** | **0.1** | 0.6 | 0.1 |

The maturity analysis of the Company's derivative financial liabilities is set out below:

| Company | 2011 Interest rate derivatives £m | 2010 Interest rate derivatives £m |
|---|---|---|
| Within one year | **0.2** | 0.2 |
| Between one and two years | **0.2** | 0.2 |
| Between two and five years | **0.2** | 0.2 |
| **Total** | **0.6** | 0.6 |

### 21. Provisions

| Group | Property and dilapidations £m | Other £m | Total £m |
|---|---|---|---|
| At 1 October 2010 | 0.1 | 0.7 | 0.8 |
| Charged in the year | 1.4 | 0.7 | 2.1 |
| Utilised in the year | – | (0.8) | (0.8) |
| **At 30 September 2011** | **1.5** | **0.6** | **2.1** |

The provision for property and dilapidations relates to obligations under short leasehold agreements on vacant property. The provision has been discounted at a rate in line with the Group's post-tax cost of capital which is 8.5% and is expected to be utilised over the next four years.

Other provisions as shown above and provisions of £0.6m (2010: £0.7m) for the Company relate to disposals made during 2007 and ongoing commercial dispute resolution. These are expected to be fully utilised or reversed over the next two years.

### 22. Other non-current liabilities

| Group | 2011 £m | 2010 £m |
|---|---|---|
| Other creditors | **1.9** | 2.4 |

Other creditors consist mainly of deferred subscription revenue and a deferred property lease liability.

### 23. Financial instruments

***Financial instruments by category***

The Group's financial assets and financial liabilities are set out below:

| | | Fair value | Amortised cost | | 2011 | |
|---|---|---|---|---|---|---|
| Group | Note | Derivatives £m | Loans and receivables £m | Other liabilities £m | Total carrying value £m | Total market value £m |
| Trade receivables net | 16 | – | 17.5 | – | 17.5 | 17.5 |
| Other receivables | | – | 1.5 | – | 1.5 | 1.5 |
| Cash and cash equivalents | 17 | – | 12.5 | – | 12.5 | 12.5 |
| **Total financial assets** | | – | 31.5 | – | 31.5 | 31.5 |
| Trade payables | 18 | – | – | (15.0) | (15.0) | (15.0) |
| Other liabilities | | – | – | (10.4) | (10.4) | (10.4) |
| Current borrowings | 19 | – | – | (19.2) | (19.2) | (19.2) |
| Non-current borrowings | 19 | – | – | (5.1) | (5.1) | (5.1) |
| Derivatives | 20 | (0.7) | – | – | (0.7) | (0.7) |
| **Total financial liabilities** | | (0.7) | – | (49.7) | (50.4) | (50.4) |

# Financial statements continued

## 23. Financial instruments (continued)

| Group | Note | Fair value<br>Derivatives<br>£m | Amortised cost<br>Loans and receivables<br>£m | Other liabilities<br>£m | 2010<br>Total carrying value<br>£m | Total market value<br>£m |
|---|---|---|---|---|---|---|
| Trade receivables net | 16 | – | 19.0 | – | 19.0 | 19.0 |
| Other receivables | | – | 1.9 | – | 1.9 | 1.9 |
| Cash and cash equivalents | 17 | – | 13.3 | – | 13.3 | 13.3 |
| **Total financial assets** | | – | 34.2 | – | 34.2 | 34.2 |
| Trade payables | 18 | – | – | (15.7) | (15.7) | (15.7) |
| Other liabilities | | – | – | (5.9) | (5.9) | (5.9) |
| Current borrowings | 19 | – | – | (12.9) | (12.9) | (13.2) |
| Non-current borrowings | 19 | – | – | (7.8) | (7.8) | (8.1) |
| Derivatives | 20 | (0.7) | – | – | (0.7) | (0.7) |
| **Total financial liabilities** | | (0.7) | – | (42.3) | (43.0) | (43.6) |

Total financial liabilities are shown net of unamortised costs which amounted to £0.3m (2010: £0.6m).

The Company's financial assets and liabilities are set out below:

| Company | Note | Fair value<br>Derivatives<br>£m | Amortised cost<br>Loans and receivables<br>£m | Other liabilities<br>£m | 2011<br>Total carrying value<br>£m | Total market value<br>£m |
|---|---|---|---|---|---|---|
| Other receivables | 16 | **–** | **27.8** | **–** | **27.8** | **27.8** |
| **Total financial assets** | | **–** | **27.8** | **–** | **27.8** | **27.8** |
| Other liabilities | 18 | **–** | **–** | **(96.4)** | **(96.4)** | **(96.4)** |
| Overdrafts | 19 | **–** | **–** | **(6.0)** | **(6.0)** | **(6.0)** |
| Current borrowings | 19 | **–** | **–** | **(6.9)** | **(6.9)** | **(6.9)** |
| Non-current borrowings | 19 | **–** | **–** | **(4.9)** | **(4.9)** | **(4.9)** |
| Derivatives | 20 | **(0.6)** | **–** | **–** | **(0.6)** | **(0.6)** |
| **Total financial liabilities** | | **(0.6)** | **–** | **(114.2)** | **(114.8)** | **(114.8)** |

| Company | Note | Fair value<br>Derivatives<br>£m | Amortised cost<br>Loans and receivables<br>£m | Other liabilities<br>£m | 2010<br>Total carrying value<br>£m | Total market value<br>£m |
|---|---|---|---|---|---|---|
| Other receivables | 16 | – | 39.5 | – | 39.5 | 39.5 |
| Cash and cash equivalents | 17 | – | 0.7 | – | 0.7 | 0.7 |
| **Total financial assets** | | – | 40.2 | – | 40.2 | 40.2 |
| Other liabilities | 18 | – | – | (106.5) | (106.5) | (106.5) |
| Current borrowings | 19 | – | – | (5.9) | (5.9) | (6.2) |
| Non-current borrowings | 19 | – | – | (7.8) | (7.8) | (8.1) |
| Derivatives | 20 | (0.6) | – | – | (0.6) | (0.6) |
| **Total financial liabilities** | | (0.6) | – | (120.2) | (120.8) | (121.4) |

Total financial liabilities are shown net of unamortised costs which amounted to £0.3m (2010: £0.6m).

The fair value is the amount for which a financial instrument could be exchanged between knowledgeable, willing parties. If an active market exists, the market price is applied. If an active market does not exist a discounted cash flow or generally accepted estimation and valuation technique based on market conditions at the balance sheet date is used to calculate an estimated value.

The market value of financial instruments is determined by the use of valuation techniques including estimated discounted cash flows.

**Treasury overview**

The Group uses financial instruments to raise funding for its operations and to manage the financial risks arising from those operations. The agreements governing the principal instruments entered into were approved by the Board.

The principal financing and treasury exposures faced by the Group arise from foreign currencies, working capital management, the financing of capital expenditure and acquisitions, the management of interest rates on the Group's debt, the investment of surplus cash and the management of the Group's debt facilities. The Group manages all of these exposures with an objective of remaining within covenant ratios agreed with the Group's banks and the Group has been in compliance with its covenants during the year. These ratios are disclosed in note 19.

### 23. Financial instruments (continued)

**Treasury overview (continued)**

The capital structure of the Group is reviewed regularly by the Board to ensure that the debt/equity ratio of funding remains appropriate for the Group.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

**Currency and interest rate profile**

The currency and interest rate profile of the Group's financial assets and liabilities is shown below:

| | Financial assets | | | Financial liabilities | | | | |
|---|---|---|---|---|---|---|---|---|
| | Floating rate £m | Non-interest bearing £m | Total £m | Floating rate £m | Fixed rate £m | Non-interest bearing £m | Total £m | Net financial (liabilities)/ assets £m |
| **At 30 September 2011** | | | | | | | | |
| Currency: | | | | | | | | |
| Sterling | **–** | **19.4** | **19.4** | **(7.1)** | **(5.0)** | **(18.7)** | **(30.8)** | **(11.4)** |
| US Dollar | **1.6** | **6.6** | **8.2** | **(12.2)** | **–** | **(6.6)** | **(18.8)** | **(10.6)** |
| Euro | **–** | **0.6** | **0.6** | **–** | **–** | **(0.6)** | **(0.6)** | **–** |
| Other | **0.2** | **3.1** | **3.3** | **–** | **–** | **(0.2)** | **(0.2)** | **3.1** |
| **Total** | **1.8** | **29.7** | **31.5** | **(19.3)** | **(5.0)** | **(26.1)** | **(50.4)** | **(18.9)** |
| At 30 September 2010 | | | | | | | | |
| Currency: | | | | | | | | |
| Sterling | – | 19.1 | 19.1 | (8.7) | (5.0) | (14.5) | (28.2) | (9.1) |
| US Dollar | 2.9 | 8.8 | 11.7 | (7.0) | – | (7.0) | (14.0) | (2.3) |
| Euro | – | 0.7 | 0.7 | – | – | (0.5) | (0.5) | 0.2 |
| Other | – | 2.7 | 2.7 | – | – | (0.3) | (0.3) | 2.4 |
| **Total** | 2.9 | 31.3 | 34.2 | (15.7) | (5.0) | (22.3) | (43.0) | (8.8) |

**Interest rate risk**

Details of the interest rates on borrowings as at 30 September 2011 are set out in note 19.

The Group's overall policy on hedging interest rate risk is as follows:

- To the extent that net debt is below £10m there is no requirement to hedge against interest rate fluctuations on the balance of the gross debt.
- To the extent that net debt is above £10m a minimum of 25% of the balance of the gross debt greater than £10m should be hedged.

In applying the above policy, management takes full consideration of cash flow projections to fix the period for which any hedging arrangements are entered into.

Details of the Group's interest rate derivatives at 30 September 2011 are set out in note 20.

For 2011, if interest rates on net borrowings had been on average 0.5% higher/lower with all other variables held constant, the post-tax loss for the year would have increased/decreased by £0.1m (2010: post-tax profit would have decreased/increased by £0.1m).

There would be no impact on equity excluding retained earnings.

**Foreign exchange risk**

Some of the Group's activities are carried out in countries outside the United Kingdom where transactions are carried out in that country's own functional currency. Movements in exchange rates can therefore have a significant impact on the Group's total cash flows, whilst the translation of the results, assets and liabilities of foreign operations into sterling can have a significant effect on the Group's reported profits and balance sheet. The main exposures are to movements in the US Dollar and Australian Dollar against sterling, and Canadian Dollar against US Dollar.

The Group's policy for managing exchange rate risk is summarised as follows:

- Transaction exposure – the Group manages this by ensuring that transactions are denominated in the local functional currency of the operating units wherever possible. Where this is not possible the use of forward contracts to hedge exposure is considered. The use of forward contracts (or any other derivative financial instrument) is subject to authorisation by the Group Finance Director. Details of the Group's forward foreign exchange contracts at 30 September 2011 are set out in note 20.
- Translation exposure – the Group matches currency assets with currency liabilities wherever possible as evidenced by the fact that £12.2m of gross debt is denominated in US dollars.

# Financial statements continued

## 23. Financial instruments (continued)

The following table summarises the Group's sensitivity to translational currency exposures at 30 September:

| 2011 currency risks expressed in Currency 1/ Currency 2 £m | GBP/USD | GBP/AUD | USD/CAD |
|---|---|---|---|
| Reasonable shift | 10% | 10% | 10% |
| Impact on loss after tax if Currency 1 strengthens against Currency 2 | (0.1) | (0.1) | (0.1) |
| Impact on loss after tax if Currency 1 weakens against Currency 2 | 0.1 | 0.1 | 0.1 |
| Impact on equity excluding retained earnings if Currency 1 strengthens against Currency 2 | 0.2 | 0.1 | – |
| Impact on equity excluding retained earnings if Currency 1 weakens against Currency 2 | (0.2) | (0.1) | – |

| 2010 currency risks expressed in Currency 1/ Currency 2 £m | GBP/USD | GBP/AUD | USD/CAD |
|---|---|---|---|
| Reasonable shift | 20% | 20% | 20% |
| Impact on profit after tax if Currency 1 strengthens against Currency 2 | (0.1) | (0.1) | (0.1) |
| Impact on profit after tax if Currency 1 weakens against Currency 2 | 0.1 | 0.1 | 0.1 |
| Impact on equity excluding retained earnings if Currency 1 strengthens against Currency 2 | 0.5 | 0.2 | – |
| Impact on equity excluding retained earnings if Currency 1 weakens against Currency 2 | (0.5) | (0.2) | – |

### Liquidity risk

For the past three years the Group has funded the business largely from cash flows generated from operations and long-term debt. Details of the Group's borrowings are disclosed in note 19.

The Group monitors and manages the cash for the Group and has maintained committed banking facilities as noted above to mitigate any liquidity risk it may face. If necessary, inter-company loans within the Group meet short-term cash needs. The following table shows the Group's remaining contractual maturity for financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is obliged to pay.

| 30 September 2011 | Less than one year £m | Between one and two years £m | Between two and five years £m | Total £m |
|---|---|---|---|---|
| Trade payables | 15.0 | – | – | 15.0 |
| Other liabilities | 8.9 | 0.8 | 0.7 | 10.4 |
| Borrowings | 19.6 | 5.1 | – | 24.7 |
| Derivatives | 0.3 | 0.2 | 0.2 | 0.7 |
| **Total financial liabilities** | 43.8 | 6.1 | 0.9 | 50.8 |

| 30 September 2010 | Less than one year £m | Between one and two years £m | Between two and five years £m | Total £m |
|---|---|---|---|---|
| Trade payables | 15.7 | – | – | 15.7 |
| Other liabilities | 5.6 | 0.3 | – | 5.9 |
| Borrowings | 13.5 | 3.5 | 5.0 | 22.0 |
| Derivatives | 0.4 | 0.2 | 0.4 | 1.0 |
| **Total financial liabilities** | 35.2 | 4.0 | 5.4 | 44.6 |

## 24. Issued share capital

| | 2011 £m | 2010 £m |
|---|---|---|
| **Authorised share capital** | | |
| **600,000,000 ordinary shares of 1p each** | **6.0** | 6.0 |

| | Number of shares | 2011 £m |
|---|---|---|
| **Allotted, issued and fully paid** | | |
| **Ordinary shares of 1p each** | | |
| At 1 October 2010 | 327,979,803 | 3.3 |
| Share scheme exercises | 824,957 | – |
| **At 30 September 2011** | **328,804,760** | **3.3** |

During the year, 824,957 Ordinary shares with a nominal value of £8,250 were issued by the Company for a total cash commitment of £6,375 pursuant to share scheme exercises as detailed in note 25.

In 2010, 782,535 Ordinary shares with a nominal value of £7,825 were issued by the Company for a total cash commitment of £382 pursuant to share scheme exercises as detailed in note 25.

## 25. Share-based payments

The income statement charge for the year for share-based payments was £0.4m (2010: £0.5m). This charge has been included within administration expenses.

These charges arise when employees are granted awards under the Group's share option schemes, performance share plan (PSP), or deferred annual bonus scheme (DABS), and when employees are granted awards by the trustees of The Future Network plc 1999 Employee Benefit Trust (EBT).
The charge equates to the fair value of the award and has been calculated using the Monte Carlo and Black-Scholes models, using the most appropriate model for each scheme. Assumptions have been made in these models for expected volatility, risk-free rates and dividend yields.

The Company has not applied IFRS 2, 'Share-based Payment', retrospectively and therefore it has only been applied to options granted after 7 November 2002 which had not vested before 1 January 2005.

A reconciliation of movements in share options and other share incentive schemes is shown below:

| | 2011 Number of shares | 2011 Weighted average exercise price | 2010 Number of shares | 2010 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **21,756,029** | **£0.062** | 21,280,323 | £0.076 |
| Granted | **4,980,723** | **£0.036** | 5,444,312 | £0.039 |
| Share awards exercised – new share issues | **(824,957)** | **£0.008** | (782,535) | £0.003 |
| Share awards exercised – EBT shares | **(347,339)** | **£0.000** | (382,376) | £0.000 |
| Lapsed | **(3,250,799)** | **£0.067** | (3,803,695) | £0.130 |
| **Outstanding at 30 September** | **22,313,657** | **£0.058** | 21,756,029 | £0.062 |
| **Exercisable at 30 September** | **658,780** | **£0.469** | 701,728 | £0.491 |

The weighted average share price at the date of exercise of share options and other share incentive awards during the year was £0.209 (2010: £0.179).

# Financial statements continued

## 25. Share-based payments (continued)

For options and other share incentive schemes outstanding at 30 September the weighted average exercise prices and remaining contractual lives are as follows:

| | Number of shares | | Weighted average exercise price | | Weighted average remaining contractual life in years | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| **International Scheme (excluding US)** | | | | | | |
| November 2001 | **3,085** | 6,170 | **£0.470** | £0.470 | **–** | 1 |
| September 2002 | **43,086** | 43,086 | **£0.470** | £0.470 | **1** | 2 |
| **Senior Scheme** | | | | | | |
| November 2001 | **168,085** | 168,085 | **£0.470** | £0.470 | **–** | 1 |
| **Approved Scheme** | | | | | | |
| May 2001 | **–** | 18,141 | **–** | £0.747 | **–** | 1 |
| November 2001 | **328,495** | 350,995 | **£0.470** | £0.470 | **–** | 1 |
| September 2002 | **31,915** | 31,915 | **£0.470** | £0.470 | **1** | 2 |
| **2000 US Plan** | | | | | | |
| October 2000 | **–** | 1,740 | **–** | $8.045 | **–** | – |
| December 2000 | **–** | 1,596 | **–** | $2.426 | **–** | – |
| November 2001 | **80,000** | 80,000 | **£0.470** | £0.470 | **–** | 1 |
| **Sharesave Plan** | | | | | | |
| December 2007 | **4,114** | 297,587 | **£0.280** | £0.280 | **–** | 1 |
| December 2008 | **6,548,352** | 7,137,792 | **£0.100** | £0.100 | **1** | 2 |
| April 2010 | **1,053,841** | 1,305,592 | **£0.155** | £0.155 | **2** | 3 |
| December 2010 | **1,061,434** | – | **£0.165** | – | **3** | – |
| **PSP** | | | | | | |
| December 2007 | **–** | 2,001,720 | **–** | – | **–** | – |
| December 2008 | **4,034,234** | 4,034,234 | **–** | – | **–** | 1 |
| November 2009 | **3,752,815** | 3,752,815 | **–** | – | **1** | 2 |
| December 2010 | **3,127,346** | – | **–** | – | **2** | – |
| **DABS** | | | | | | |
| December 2007 | **–** | 659,739 | **–** | – | **–** | – |
| December 2008 | **1,118,706** | 1,233,768 | **–** | – | **–** | 1 |
| November 2009 | **246,211** | 283,715 | **–** | – | **1** | 2 |
| December 2010 | **711,938** | – | **–** | – | **2** | – |
| **Deferred Bonus Shares** | | | | | | |
| December 2008 | **–** | 347,339 | **–** | – | **–** | – |
| **Total outstanding at 30 September** | **22,313,657** | 21,756,029 | **£0.058** | £0.062 | **1** | 1 |

The fair value per share for grants made during the year and the assumptions used in the calculation are as follows:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | DABS | PSP | Sharesave | DABS | PSP | Sharesave |
| Grant date | **21/12/10** | **21/12/10** | **20/12/10** | 27/11/09 | 27/11/09 | 12/04/10 |
| Share price at grant date | **£0.240** | **£0.240** | **£0.233** | £0.180 | £0.180 | £0.190 |
| Exercise price | **–** | **–** | **£0.165** | – | – | £0.155 |
| Vesting period (years) | **3** | **3** | **3** | 3 | 3 | 3 |
| Expected volatility | **67%** | **67%** | **67%** | 67% | 67% | 68% |
| Option life (years) | **3** | **3** | **3** | 3 | 3 | 3 |
| Expected life (years) | **3** | **3** | **3** | 3 | 3 | 3 |
| Risk-free rate | **2%** | **2%** | **2%** | 2% | 2% | 2% |
| Dividend yield | **5%** | **5%** | **5%** | 5% | 5% | 5% |
| TSR correlation | **–** | **6%** | **–** | – | 12% | – |
| Fair value | **£0.208** | **£0.185** | **£0.102** | £0.155 | £0.131 | £0.079 |
| Fair value – EPS element | **–** | **£0.208** | **–** | – | £0.155 | – |
| Fair value – TSR element | **–** | **£0.162** | **–** | – | £0.107 | – |

Notes:
1. The expected volatility is based on Future's historical volatility, averaged over a period equal to the expected life, where possible.
2. The Black-Scholes model has been used to value all options with the exception of 50% of the PSP grants which have market-based performance criteria; the Monte Carlo model has been used to value these awards.

**25. Share-based payments (continued)**

Future plc operates eight share option schemes being:

- The Future Network plc 1999 International Share Option Scheme (International Scheme)
- The Future Network plc 1999 Senior Management Scheme (Senior Scheme)
- The Future Network plc 1999 Approved International Share Option Scheme (Approved Scheme)
- The Future Network plc 2000 US Stock Option Plan (2000 US Plan)
- The Future Network plc International Sharesave Scheme (International Sharesave Scheme)
- Addendum to The Future Network plc International Sharesave Scheme (Addendum)
- The Future Network plc UK Inland Revenue Approved Sharesave Plan 2000 (2000 Sharesave Plan)
- The Future plc 2010 Approved Sharesave Plan (2010 Sharesave Plan)

As at 30 September 2011, options or awards had been granted under all of the above schemes.

**The International Scheme**

The International Scheme was used for the grant of options to all employees, save for those persons entitled to participate in the Senior Scheme.

Options granted in November 2001 and September 2002 under the International Scheme vested three years after the date of grant, subject to satisfaction of performance criteria that required that the total shareholder return of the Company, for the three-year period following date of grant, must rank in the top quartile of UK companies whose shares are listed in the Media and Entertainment Sector of the London Share Service of the Financial Times newspaper. If the Company ranked in the second quartile of this comparator group, then only one-half of the options vested; if the Company ranked below the 50th percentile of this comparator group, then none of the options vested.

The options granted in November 2001 and September 2002 each vested 50%.

No further options will be granted under this scheme.

**The Senior Scheme**

The Senior Scheme was used historically for the grant of options to the Board. Details of options outstanding are given in the Directors' remuneration report on page 38 and the performance criteria relating to these options are as set out below for 'The Approved Scheme'.

No further options will be granted under this scheme.

**The Approved Scheme**

The Approved Scheme was used for the grant of options to all UK employees up to a value of £30,000.

Options granted in May 2001 vested in eight equal tranches, one tranche every six months following publication of the annual and interim results of the Group, depending on the satisfaction of performance criteria that required the normalised earnings per share of the Group to grow by at least 3% per annum above the increase in the RPI over the relevant period.

Options granted in November 2001 and September 2002 vested three years after the date of grant, subject to satisfaction of performance criteria that required that the total shareholder return of the Company, for the three-year period following date of grant, must rank in the top quartile of UK companies whose shares are listed in the Media and Entertainment Sector of the London Share Service of the Financial Times newspaper. If the Company ranked in the second quartile of this comparator group, then only one-half of the options vested; if the Company ranked below the 50th percentile of this comparator group, then none of the options vested.

The options granted in November 2001 and September 2002 each vested 50%.

No further options will be granted under this scheme.

**The 2000 US Plan**

The 2000 US Plan was used for the grant of options to employees of the Company's US business.

For options granted under the 2000 US Plan until May 2001, 25% of the shares under option typically vested on the first anniversary of an employee joining (or, where options were granted under the US Plan to an existing employee, on the anniversary of the grant of such options). The balance of 75% vested in equal monthly tranches over the three-year period commencing on the first vesting date. Whilst the Company had the right to impose performance conditions, up until November 2001 none were imposed as it was the Board's view that it was unusual for options granted by US competitors to their US employees to contain such criteria.

Options granted in November 2001 under the 2000 US Plan vested three years after the date of grant, subject to satisfaction of performance criteria that required that the total shareholder return of the Company, for the three-year period following date of grant, must rank in the top quartile of UK companies whose shares are listed in the Media and Entertainment sector of the London Share Service of the Financial Times newspaper. If the Company ranked in the second quartile of this comparator group, then only one-half of the options vested; if the Company ranked below the 50th percentile of this comparator group, then none of the options vested.

The options granted in November 2001 vested 50%.

No further options will be granted under this scheme.

**The 2000 Sharesave Plan, 2010 Sharesave Plan, International Sharesave Scheme and the Addendum (the Sharesave Plans)**

Under the Sharesave Plans the option entitlement granted to participating employees is linked to the monthly contributions which such employees have agreed to pay into the Sharesave Plans (up to a maximum amount of £250 per month). The options granted under the Sharesave Plans vest on the third anniversary of the grant of such options (or in the case of the Addendum applicable in the US, due to legal constraints, two years after the date of grant of such options). Where legal and regulatory constraints permit, the Company uses its discretion to offer options granted under the Sharesave Plans at a discount to the market price in force at the date of the invitation being made.

The Board exercised its discretion in November 2010 to issue invitations to participate in the Company's 2010 Sharesave Plan to eligible employees in the UK only. The option price represents a 20% discount to the market price at the time of the invitation.

**Other share-based payments**

No further share options are to be granted. Instead, the Group has put into place a number of alternative share incentive schemes and awarded deferred bonus shares in 2008.

# Financial statements continued

## 25. Share-based payments (continued)

**Performance Share Plan (PSP)**

The PSP is a share-based incentive scheme open to the executive Directors and senior management, based on a percentage of the participant's salary. Awards under this scheme are subject to stretching performance criteria measured against both earnings per share (EPS) and total shareholder return (TSR). Subject to the participant's continued employment with the Group, awards will vest three years after the date of grant assuming that the following performance criteria are achieved:

- A maximum of 50% of an award will vest if the Group's growth in adjusted EPS is equal to RPI plus 8%, 0% will vest if the Group's growth in adjusted EPS is equal to RPI plus 3%, and vesting will be on a pro rata straight-line basis between the two. If growth in the Group's adjusted EPS is less than RPI plus 3%, none of that 50% of the award will vest.
- The remaining 50% of the award will vest if the Company's TSR performance, compared to a group of similar companies, places it in the top quintile as against the comparator companies. If the Company's TSR performance is median, 12.5% of the award will vest, and vesting will be on a pro rata straight-line basis between the two points. If the Company's performance is below median, none of that 50% of the award will vest. The comparator groups of companies are as disclosed on page 34 of this Annual Report.

Grants were made under the PSP in November 2009 and December 2010.

**Deferred Annual Bonus Scheme (DABS)**

The DABS is a share-based incentive scheme, with the levels of participation dependent on the relevant operating subsidiary's financial performance during the previous financial year. The maximum value of any shares granted under the DABS to any one participant will be an additional amount which is equal to a fixed percentage of that eligible participant's annual cash bonus actually received or payable for the previous financial year. The number of shares over which an award is to be granted to each participant will be calculated by reference to the market value of an Ordinary share in the Company on the date of the award. The shares awarded under the DABS will be issued or transferred to the participant three years after the date of the award, subject only to the employee remaining in the employment of the Group throughout the three-year period.

Grants were made under the DABS in November 2009 and December 2010.

**2008 Future plc Deferred Bonus Share Awards**

In December 2008 deferred bonus share awards were made to Stevie Spring, John Bowman and other key senior managers including Graham Harding, now the Group Finance Director. The shares awarded were transferred to the participants in two equal tranches in December 2009 and November 2010.

## 26. Other reserves

***Treasury reserve***

The treasury reserve represents the cost of shares in Future plc purchased in the market and held by the EBT to satisfy awards made by the trustees.

| | **Group 2011 £m** | Group 2010 £m |
|---|---|---|
| Balance at 1 October | **–** | (0.1) |
| Acquired in the year | **(0.3)** | – |
| Utilised in the year | **–** | 0.1 |
| **At 30 September** | **(0.3)** | – |

During the year Future plc paid £0.2m (2010: £0.1m) to Abacus Corporate Trustees Limited as trustees of the EBT, which was used to purchase Future plc shares in the market. The shares purchased represented 0.4% of the Company's issued share capital.

During the prior year, the Group transferred £0.1m of shares to employees under Deferred Bonus Share Awards.

The treasury reserve is non-distributable.

***Cash flow hedge reserve***

The cash flow hedge reserve represents the net gains or losses on effective cash flow hedging instruments.

| | **Group 2011 £m** | **Company 2011 £m** | Group 2010 £m | Company 2010 £m |
|---|---|---|---|---|
| Balance at 1 October | **(0.1)** | **(0.1)** | (0.2) | – |
| Net fair value gains/(losses) | **–** | **0.1** | 0.1 | (0.1) |
| **At 30 September** | **(0.1)** | **–** | (0.1) | (0.1) |

***Merger reserve***

The merger reserve of £109.0m (2010: £109.0m) arose following the 1999 Group reorganisation and is non-distributable.

### 27. Pensions
The Group operates a defined contribution scheme for employees resident in the United Kingdom.

In the US, the Group operates a section 401(K) profit sharing defined contribution plan in respect of pensions, which covers substantially all Future US employees. The section 401(K) plan allows employees to invest in eight funds run by T. Rowe Price, but the employees, not the employer, have complete control over what they invest in, although they have no control over the stocks owned by the funds.

During the year, £1.1m (2010: £1.1m) contributions were made to these plans.

### 28. Commitments and contingent liabilities
***(a) Operating lease commitments***
At 30 September 2011, the Group had the following total future lease payments under non-cancellable operating leases:

| | Land and buildings £m | Other £m | Total 2011 £m | Land and buildings £m | Other £m | Total 2010 £m |
|---|---|---|---|---|---|---|
| Within one year | **3.7** | **0.2** | **3.9** | 4.0 | 0.1 | 4.1 |
| Between one and five years | **14.1** | **0.4** | **14.5** | 12.1 | 0.2 | 12.3 |
| After five years | **11.4** | **–** | **11.4** | 11.0 | – | 11.0 |
| **Total** | **29.2** | **0.6** | **29.8** | 27.1 | 0.3 | 27.4 |

Future minimum sub-lease receipts expected under non-cancellable subleases at 30 September 2011 total £1.9m (2010: £2.7m).

During the year, £4.3m (2010: £4.5m) was recognised in the income statement in respect of operating lease rental payments and £0.8m (2010: £1.0m) was recognised in respect of sub-lease receipts.

The Group leases various offices under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Group also leases other equipment under non-cancellable operating lease agreements.

***(b) Contingent liabilities***
There are no contingent liabilities expected to result in a material loss for the Group.

***(c) Capital commitments***
There were no material capital commitments as at 30 September 2011 (2010: £nil).

### 29. Related party transactions
The Group has no material transactions with related parties which might reasonably be expected to influence decisions made by users of these financial statements.

During the year, the Company had management charges receivable of £0.5m (2010: £0.6m) from subsidiary undertakings.

### 30. Principal subsidiary undertakings
The principal subsidiary undertakings at 30 September 2011 are shown below. A full list of subsidiaries is available at the Company's registered office. All subsidiaries are included in the consolidation. Shares of those companies marked with an * are indirectly owned by Future plc through an intermediate holding company.

| Company name | Country of incorporation | Nature of business | Holding % | Class of shares |
|---|---|---|---|---|
| Subsidiaries | | | | |
| Future Publishing Limited* | England and Wales | Publishing | 100 | £1 Ordinary shares |
| Future US, Inc* | USA (State of California) | Publishing | 100 | Not applicable |

### 31. Events after the reporting period
On 27 October 2011 the former Chief Executive and Group Finance Director resigned and were replaced by Mark Wood and Graham Harding. Subsequently, further ongoing restructuring costs are planned to be incurred. The total of these exceptional cash costs is estimated at £1.9m for the year ending 30 September 2012.

# Notice of Annual General Meeting

**This Notice of Meeting is important and requires your immediate attention.**
If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in Future plc, please forward this notice, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so that they can pass these documents to the purchaser or transferee.

**Notice of Annual General Meeting**
Notice is hereby given that the thirteenth Annual General Meeting of Future plc will be held on Wednesday 8 February 2012 at Future's London office, 2 Balcombe Street, London NW1 6NW at 12 noon at which the following resolutions numbered 1 to 12 will be proposed as ordinary resolutions, and resolutions numbered 13 to 15 will be proposed as special resolutions.

**Ordinary resolutions**

1. To receive and adopt the audited financial statements of the Company for the financial year ended 30 September 2011 and the reports of the Directors and the Auditors.

2. To approve the Remuneration report as set out in the Annual Report of the Company for the financial year ended 30 September 2011.

3. To re-elect as a Director Seb Bishop.

4. To re-elect as a Director Mark Whiteling.

5. To elect as a Director Peter Allen.

6. To elect as a Director Manjit Wolstenholme.

7. To elect as a Director Mark Wood.

8. To elect as a Director Graham Harding.

9. To reappoint PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, as auditors of the Company to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company.

10. To authorise the Directors to determine the remuneration of the auditors of the Company.

11. That, in substitution for any existing authority, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot relevant securities (as defined in note 20 on page 78):

    11.1 in connection with an offer by way of a rights issue (comprising equity securities as defined by section 560 of the Act), up to an aggregate nominal amount of £2,192,000 (such amount to be reduced by the nominal amount of any relevant securities allotted under paragraph 11.2 below):

    (a) to holders of Ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

    (b) to holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    11.2 in any other case, up to an aggregate nominal amount of £1,096,000 (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph 11.1 above in excess of £1,096,000),

    at any time or times during the period beginning on the date of the passing of this resolution and ending following the conclusion of the Company's next Annual General Meeting or, if earlier, on 31 March 2013 (unless previously revoked or varied by the Company in General Meeting) save that the Company may before expiry of this authority make an offer or agreement which would or might require relevant securities to be allotted after its expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority hereby conferred had not expired.

12. That, following the broader definitions introduced by sections 363 to 365 of the Act of the terms used in (i), (ii) and (iii) below (which for the purposes of this resolution have the meanings given by the Act), the Company and its subsidiaries at any time during the period for which the resolution is effective be authorised together to:

    (i) make political donations to political parties and/or independent election candidates not exceeding £50,000 in total;

    (ii) make political donations to political organisations other than political parties not exceeding £50,000 in total; and

    (iii) incur political expenditure not exceeding £50,000 in total,

    during the period beginning with the date of the passing of this resolution and ending following the conclusion of the Company's next Annual General Meeting or, if earlier, on 31 March 2013.

**Special resolutions**

13. That the Directors be and are hereby empowered:

    (i) subject to the passing of resolution 11, pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred upon it for the purposes of section 551 of the Act by resolution 11; and

    (ii) to allot treasury shares,

    in either case as if section 561(1) of the Act did not apply to any such allotment at any time or times during the period beginning on the date of the passing of this resolution and ending following the conclusion of the Company's next Annual General Meeting or, if earlier, on 31 March 2013 (save that the Company may before the expiry of the power hereby conferred make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if the power hereby conferred had not expired), such power being limited to:

    (a) the allotment of equity securities in connection with an offer by way of a rights issue in favour of the holders of Ordinary shares in proportion (as nearly as may be) to their respective holdings and, if the rights attaching to any other equity securities so provide, in favour of the holders of those equity securities in accordance with such rights, but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with ordinary shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body or stock exchange in any territory; and

    (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £164,000 (representing just under 5% of the issued share capital of the Company as at 15 December 2011).

14. That the Company be generally and unconditionally permitted to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of one penny each in the capital of the Company on such terms and in such manner as the Directors may think fit provided that:

    (a) the maximum aggregate number of Ordinary shares which may be purchased be limited to 32,880,000 (representing just under 10% of the issued share capital of the Company as at 15 December 2011);

    (b) the minimum price payable per Ordinary share be one penny;

    (c) the maximum price which may be paid for such Ordinary shares shall not be more than the higher of:

        (i) an amount equal to 5% above the average of the market values for an Ordinary share as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the Ordinary shares are purchased; and

        (ii) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;

    (d) unless previously renewed, varied or revoked, this authority shall expire at the conclusion of the next Annual General Meeting following the date of this resolution or, if earlier, on 31 March 2013; and

    (e) the Company may make a contract to purchase shares under the authority conferred by this resolution prior to expiry of such authority, which may be executed wholly or partly after expiry of this authority.

15. That a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

On behalf of the Board

**Mark Millar**
Company Secretary and General Counsel
15 December 2011

# Notice of Annual General Meeting continued

**Notes:**

***Further information about the AGM***

1. Information regarding the meeting, including the information required by section 311A of the Act, is available from: *www.futureplc.com/investors*.

***Attendance at the AGM***

2. If you wish to attend the meeting in person, please bring the attendance card attached to your form of proxy and arrive at Future's London office in sufficient time for registration. Directions will be provided at reception and the venue is accessible for the disabled. Appointment of a proxy does not preclude a member from attending the meeting and voting in person. If a member has appointed a proxy and attends the meeting in person, the proxy appointment will automatically be terminated.

***Appointment of proxies***

3. Any member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote in their place. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If you appoint multiple proxies for a number of shares in excess of your holding, the proxy appointments may be treated as invalid. A proxy need not be a member of the Company. A proxy card is enclosed. To be effective, proxy cards should be completed in accordance with these notes and the notes to the proxy form, signed and returned so as to be received by the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 12 noon on Monday 6 February 2012 being two business days before the time appointed for the holding of the meeting. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

***Electronic appointment of proxies***

4. As an alternative to completing the printed proxy form, you may appoint a proxy electronically by visiting the following website: www.eproxyappointment.com. You will be asked to enter the Control Number, the Shareholder Reference Number (SRN) and PIN as printed on your proxy form and to agree to certain terms and conditions. To be effective, electronic appointments must have been received by the Company's Registrars not later than 12 noon on Monday 6 February 2012.

***Number of shares in issue***

5. As at the close of business on 15 December 2011 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 328,844,120 Ordinary shares of one penny each. Each Ordinary share carries one vote. There are no shares held in treasury. The total number of voting rights in the Company is therefore 328,844,120.

***Documents available for inspection***

6. Printed copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) at the registered office of the Company at 30 Monmouth Street, Bath BA1 2BW and at the Company's London office at 2 Balcombe Street, London NW1 6NW, including on the day of the meeting from 11.45am until its completion:
   (a) the service contracts of the Company's Directors and the letters of appointment for the non-executive Directors;
   (b) the Terms of Reference of the Remuneration committee;
   (c) the Terms of Reference of the Audit committee; and
   (d) the Terms of Reference of the Nomination committee.

***Eligible shareholders***

7. The Company, pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those members on the register of the Company as at 6pm on Monday 6 February 2012 or, if this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after 6pm on Monday 6 February 2012, or, if this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

***Indirect investors***

8. Any person to whom this notice is sent who is a person that has been nominated under section 146 of the Act to enjoy information rights (a 'Nominated Person') does not have a right to appoint a proxy. However, a Nominated Person may, under an agreement with the registered shareholder by whom they were nominated (a 'Relevant Member'), have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. Alternatively, if a Nominated Person does not have such a right, or does not wish to exercise it, they may have a right under any such agreement to give instructions to the Relevant Member as to the exercise of voting rights. A Nominated Person's main point of contact in terms of their investment in the Company remains the Relevant Member (or, perhaps, the Nominated Person's custodian or broker) and the Nominated Person should continue to contact them (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and their interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from the Nominated Person.

***Appointment of proxies through CREST***

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 12 noon on Monday 6 February 2012, or, if the meeting is adjourned, not less than 48 hours before the time fixed for the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

***Amending a proxy***

10. To change a proxy instruction, a member needs to submit a new proxy appointment using the methods set out above. Note that the deadlines for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant deadline will be disregarded. Where a member has appointed a proxy using the paper proxy form and would like to change the instructions using another such form, that member should contact the Registrars on +44 (0)870 707 1443. If more than one valid proxy appointment is submitted, the appointment received last before the deadline for the receipt of proxies will take precedence.

***Revoking a proxy***

11. In order to revoke a proxy instruction, a signed letter clearly stating a member's intention to revoke a proxy appointment must be sent by post or by hand to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Note that the deadlines for receipt of proxy appointments (see above) also apply in relation to revocations; any revocation received after the relevant deadline will be disregarded.

***Corporate members***

12. In the case of a member which is a company, any proxy form, amendment or revocation must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the documents are signed (or a duly certified copy of such power of authority) must be included. A corporate member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

***Joint holders***

13. Where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the member whose name appears first on the register will be accepted.

***Questions at the AGM***

14. Under section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

    (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

***Members' right to require circulation of a resolution to be proposed at the AGM***

15. Under section 338 of the Act, a member or members meeting the qualification criteria set out at note 18 below, may, subject to conditions set out at note 19, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting.

***Members' right to have a matter of business dealt with at the AGM***

16. Under section 338A of the Act, a member or members meeting the qualification criteria set out at note 18 below, may, subject to the conditions set out at note 19, require the Company to include in the business to be dealt with at the AGM a matter (other than a proposed resolution) which may properly be included in the business (a matter of business).

# Notice of Annual General Meeting continued

***Website publication of any audit concerns***

17. Pursuant to Chapter 5 of Part 16 of the Act, where requested by a member or members meeting the qualification criteria set out at note 18 below, the Company must publish on its website a statement setting out any matter that such members propose to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM.

    Where the Company is required to publish such a statement on its website:

    (a) it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;

    (b) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and

    (c) the statement may be dealt with as part of the business of the AGM.

    The request:

    (d) may be in hard copy form or in electronic form and must be authenticated by the person or persons making it (see note 19(d) and (e) below);

    (e) should either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported; and

    (f) must be received by the Company at least one week before the AGM.

***Members' qualification criteria***

18. In order to be able to exercise the members' rights set out in notes 15 to 17 above the relevant request must be made by:

    (a) a member or members having a right to vote at the AGM and holding at least 5% of total voting rights of the Company; or

    (b) at least 100 members having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital.

***Conditions***

19. The conditions are that:

    (a) any resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);

    (b) the resolution or matter of business must not be defamatory of any person, frivolous or vexatious;

    (c) the request:

        (i) may be in hard copy form or in electronic form;

        (ii) must identify the resolution or the matter of business of which notice is to be given by either setting it out in full or, if supporting a resolution/matter of business sent by another member, clearly identifying the resolution/matter of business which is being supported;

        (iii) in the case of a resolution, must be accompanied by a statement setting out the grounds for the request;

        (iv) must be authenticated by the person or persons making it; and

        (v) must be received by the Company not later than six weeks before the date of the AGM;

    (d) in the case of a request made in hard copy form, such request must be:

        (i) signed by you and state your full name and address; and

        (ii) sent either: by post to Mark Millar, Company Secretary, Future plc, Beauford Court, 30 Monmouth Street, Bath BA1 2BW; or by fax to +44(0)1225 822836 marked for the attention of the Company Secretary; and

    (e) in the case of a request made in electronic form, such request must:

        (i) state your full name and address; and

        (ii) be sent to cosec@futurenet.com. Please state 'AGM' in the subject line of the email. You may not use this electronic address to communicate with the Company for any other purpose.

***Relevant Securities***

20. Relevant Securities are:

    (a) Ordinary shares in the Company other than shares allotted pursuant to:

        (i) an employee share scheme (as defined by section 1166 of the Act);

        (ii) a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or

        (iii) a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.

    (b) Any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

# Investor information

**Investor enquiries and information about Future**
For enquiries of a general nature regarding the Company and for investor relations enquiries please contact Graham Harding at the Company's Bath office, or visit *www.futureplc.com* and select the investor relations section.

**Registrar and transfer office**
The Company's share register is maintained by:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
Tel: +44 (0)870 707 1443

Shareholders should contact the Registrar, Computershare, in connection with changes of address, lost share certificates, transfers of shares and bank mandate forms to enable automated payment of dividends.

**Online information – www.investorcentre.co.uk**
Our Registrar, Computershare, has a service to provide shareholders with online internet access to details of their shareholdings. The service is free, secure and easy to use. To register for the service, go to *www.investorcentre.co.uk*.

**Unsolicited mail**
The share register is by law a public document. To limit the receipt of mail from other organisations, please register with the Mailing Preference Service, by visiting *www.mpsonline.org.uk/mpsr/*.

**Warning to shareholders – 'boiler room' scams**
In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting *www.fsa.gov.uk/register/*
- Report the matter to the FSA either by calling 0845 606 1234 or visiting *www.moneyadviceservice.org.uk*
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at *www.fsa.gov.uk*

Details of any share dealing facilities that the Company endorses will be included in company mailings.

More detailed information on this or similar activity can be found at *www.moneyadviceservice.org.uk*

# Directors and advisers

**Directors**

Peter Allen
Chairman

Manjit Wolstenholme
Senior independent non-executive Director

Mark Wood
Chief Executive

Seb Bishop
Non-executive Director

Graham Harding
Group Finance Director

Mark Whiteling
Non-executive Director

**Company Secretary and General Counsel**
Mark Millar

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Company registration number 3757874
Registered in England and Wales

**Independent auditors**
PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
1 Embankment Place
London WC2N 6RH

**Broker**
Numis Securities Ltd
10 Paternoster Square
London EC4M 7LT

**Principal bankers**
Barclays Bank plc
1 Churchill Place
London E14 5HP

**Solicitors**
Allen & Overy LLP
One Bishops Square
London E1 6AD

Norton Rose LLP
3 More London Riverside
London SE1 2AQ

**Registrars**
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

# Financial calendar

**Announcement of annual results**
24 November 2011

**Annual General Meeting**
8 February 2012

**Half-year end**
31 March 2012

**Announcement of interim results**
May 2012

**Financial year-end**
30 September 2012

# Contacts

**Future plc**
*www.futureplc.com*

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