2014

# Future plc Annual Report and Accounts

# Group overview

Future plc is an international media group and leading digital publisher, listed on the London Stock Exchange (symbol: FUTR). These highlights refer to the Group's annual results for the year ended 30 September 2014.

## Strategic Report



## Financial Review



## Corporate Governance



## Financial Statements



### Continuing Revenue

**£66.0m**

2013: £82.6m

### Net Cash

**£7.5m**

2013: Net Debt £(6.9)m

### Continuing EBITDAE

**£(7.0)m**

2013: £(0.6)m

### Continuing Loss before tax

**£(35.4)m**

2013: £(2.2)m

### Continuing EBITE

**£(10.3)m**

2013: £(3.4)m

### Continuing Exceptional items

**£(24.3)m**

2013: £2.6m

### Continuing Digital Advertising

**66%**

of total advertising revenues (2013: 61%)

### Continuing Users

**57m**

a month (+10% year-on-year)

EBITDAE represents earnings before interest, tax, depreciation, amortisation, impairment and exceptional items.

EBITE represents earnings before interest, tax, impairment and exceptional items.

Exceptional items for 2014 above includes impairment of intangible assets of £16.8m.

## Chairman's statement

# Transformational Year

This has been a year of significant change for Future and the financial results in 2014 do not reflect the transformational activity that has been implemented. The strategy agreed by the Board and communicated at the half year is already beginning to show positive results, with our continuing business returning to profit in the last quarter.

"We enter 2015 with the transformation activity largely completed, our organisation right-sized and a new strategy that builds on our existing strengths."

**Peter Allen**
Chairman

At the heart of the strategy is content that connects with our audiences. During the transformation, this has remained a key focus for the business. It is particularly encouraging that the changes already made have resulted in Future having its highest ever number of online users during September 2014.

Having spent three years driving the digital transition within the business, Mark Wood stepped aside as Chief Executive in March of this year and returned to a non-executive role with the Business. I am delighted to have Mark's continued support and experience on the Board and would like to thank him for his commitment to Future.

At the same time Zillah Byng-Maddick, our Chief Financial Officer, was appointed Chief Executive. She has led the transformation programme, building on Mark's digital innovations, to create a leaner, simpler business focused on higher margin activities.

During the year we disposed of our non-core portfolios for proceeds of £24.8m, paid down our debt and have agreed new banking facilities.

We enter 2015 with the transformation activity largely completed, our organisation right-sized and a new strategy that builds on our existing strengths. We have seen positive momentum in Q4 and are encouraged about the trends as we enter 2015.

On 1 October 2014, we appointed Richard Haley as our Chief Financial Officer. We are delighted to have Richard join Future during this time of change and he brings experience from both the Media and Retail sectors.

In addition, Mark Whiteling is retiring as a non-executive Director and Chairman of the Audit Committee. I would like to thank him for his contribution to Future over the last four years. I am pleased to announce Hugo Drayton joined the Board as non-executive Director with effect from 1 December 2014. Hugo brings with him a wealth of Media and Digital experience.

On behalf of the Board, I would like to thank all our employees for their hard work and dedication during a particularly challenging period. The Group couldn't have achieved the transformation and significant change over the past year without the positive approach of our staff, both current and past.

**Peter Allen**
Chairman

## Chief Executive's review

# Strategic report

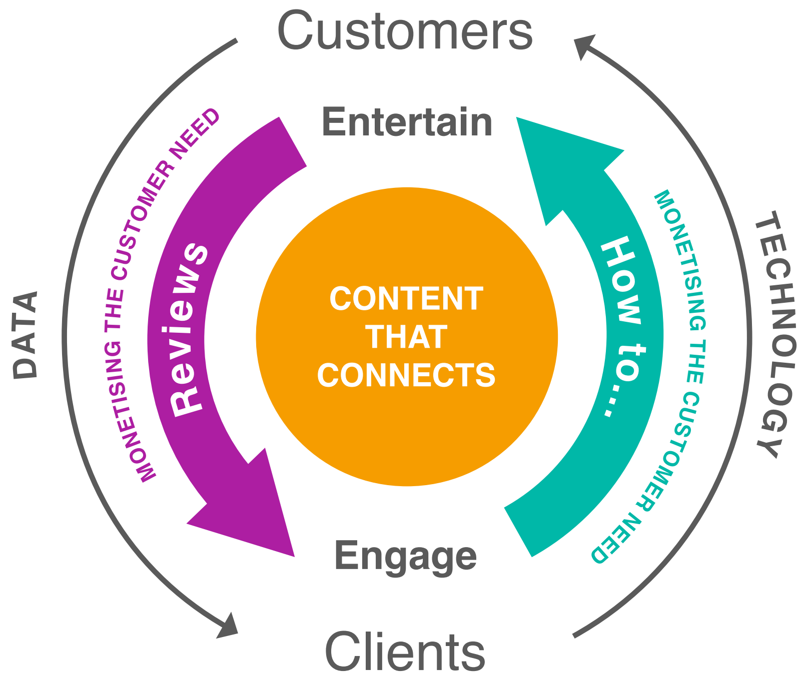
The Group initiated a root and branch review of the organisation in March 2014. Future's market leading content continues to be valuable to a number of audiences, be they customers or clients. However, the organisational complexity was impacting on the Group's ability to generate sustainable margins and the transition to a Digital and Diversified content business.

"Future has undertaken, and now largely completed, a substantial Transformation programme. It is now focusing on areas where it sees the highest potential."

**Zillah Byng-Maddick**
Chief Executive

### The Future Wheel

By connecting with our audience's content needs, Future has created a sustainable business model that meets those needs during the entirety of the customer experience, whilst at the same time ensuring that we operate as efficiently as possible to support margin growth as the customer's needs evolve.




**Brilliant at the Basics**

**Leaner, Simpler Business**

Future has undertaken, and now largely completed, a substantial Transformation programme. The Group has been simplified, the balance sheet strengthened and non-core assets sold. It is now focusing on areas where Future sees the highest potential, being the growing consumer technology market, games, entertainment, music and photography.

The five portfolios are: Technology, Games and Film, Music, Photography and Creative, and the Group continues to create new adjacent revenue streams. 41% of revenues now come from Digital and Diversified activities compared to 37% in 2013.

Future enters 2015 a leaner, simpler business with a strategy that focuses on its core competency of content that connects its customers and clients.

### Content that connects

The strategy has content at its heart: creating content that connects with audiences, customers and consumers is at the centre of everything we do. This supports the two key customer experiences – "review led" content and "how to" content.

Future has changed the way it works by no longer operating as individual brands but instead as content teams, underpinned by experts, who create content for all mediums of the business, with editorial teams creating shared portfolio content for all platforms in the business as opposed to a brand-led structure.

The Group's portfolio enables it to be at the centre of an increasingly digital and technology-led world. The brands and content created help to connect consumers with these trends and ensure that Future meets their evolving needs.

### Financial performance

Overall revenue from continuing operations was £66.0m (2013: £82.6m) and EBITDAE was a loss of £7.0m (2013: £0.6m loss), with the positive impact of the Transformation programme largely not reflected in the 2014 result.

During the second half of the year a number of key elements of the new strategy were completed, including the restructuring of the US and UK operations and property rationalisation, with over £15m of annualised overhead savings being realised. These activities will deliver significant margin benefits in 2015.

As a result of disposals and the restructuring, Future has notably strengthened its balance sheet. The year-end net cash position was £7.5m and the Group also agreed an amended and restated credit facility with its lenders. The timing of restructuring payments and the

TechRadar is the UK's biggest consumer technology site

The Photography Show is the largest annual photography show in Europe

No. 1 publisher of digital magazines in the UK

working capital related to the disposals means that the majority of this cash balance will unwind during 2015. The Group expects the underlying business to be cash generative in 2015.

The second half performance of the continuing business was significantly better than the first half. With an encouraging fourth quarter, Future saw the continuing operations of the Group return to profit.

The Group enters the 2014-15 financial year with its business in a stronger and more stable position.

## Restructuring

During the spring, a review of the business was undertaken and opportunities to transform the business were identified. These ranged from simplifying the portfolio to creating a new working model for content creation.

As part of the Transformation programme, a detailed review of the portfolios was undertaken. This resulted in the disposals of the Sport and Craft businesses to Immediate Media during July 2014 for up to £23.8m and the Auto business to Kelsey in August 2014 for up to £2.3m.

Outside the UK, Future has offices in both the US and Australia. The US business continued to face challenges and this led to us fast-tracking the transition to a digital model, appropriate to the US market.

Print support functions of Future's international print brands have been assumed by the UK content team. Over one third of US staff have left the business, including a number of the management team. The new management has renewed its focus on delivering sustained margin improvement, which has begun to be seen in the last quarter.

The activities outlined above, plus a rationalisation of the property portfolio including the disposal of the Monmouth Street site in Bath for £1.25m post year-end, new back office processes and a commitment to reduce complexity in the organisation, have resulted in Group headcount being reduced from 980 to 577 at the end of September 2014.

## Digital and Diversified revenues

The Group's connection with its audiences continues to be industry leading.

Future holds the number one or two market positions in all the verticals in which it operates. 57 million users a month access Future's digital sites and 10 of the websites each attract more than one million users.

TechRadar, the news and reviews site, which is Future's top brand, grew its users by 27% to 26 million during the year, with 41% of the users accessing the site from their mobile devices.

Future has seen strong growth in audience reach for its total portfolio in Q4 with particularly strong growth of 36% from the Technology portfolio, which holds the market leading position in the UK, and the Games portfolio, which maintains its number two position in the UK market.

Off the back of strong growth in audience reach in Digital Design (up 12%) and Photography (up 21%), Creativebloq and Digitalcameraworld have reached number two positions in their UK markets.

Globally the continuing business now has over 250,000 digital subscriptions worldwide. Future continues to look to maximise its market share and has recently launched bundled print and digital products, helping to introduce the existing print customers to digital versions. Future is the number one publisher of digital magazines in the UK, accounting for 16% of all digital magazine sales.

The Group has continued to make progress in increasing the relative share of its Digital and Diversified revenues – including revenues from digital circulation, digital advertising, e-commerce, the software business FutureFolio, the custom publishing business Future Fusion, and events – which together accounted for 41% of revenue in 2014 compared to 37% in 2013.

Future also continues to see substantial opportunities internationally with 74 strategic partnerships and 238 licensed editions in 89 countries. There is an increased interest in licensing FutureFolio and the more traditional licensing offering makes it easier than ever for international partners to harness the best-in-class content.

## Managing talent

Future has undergone a significant change during the year, and people are at the centre of any change. The Group remains committed to hiring passionate and talented individuals who are industry leaders in their field of specialism, whether they are creating award winning content, managing SEO across the Group's content, generating new product opportunities from digital insight or ensuring that Future's advertising campaigns exceed customers' needs.

A new organisational structure was put in place during the summer, designed to increase the speed of decision making and encourage individual accountability and entrepreneurship. The new structure is centred on functional areas of expertise, including the creation of a new Product and Technology team and Consumer a Commercial revenue team.

The structure reflects the best of Future whilst bringing in external experts to allow the team to focus on digital, retail, technology and data. The last member of the new executive management team joined the business on 1 October 2014, which puts the Group in a stronger position going into 2015.

## Current trading and outlook

Whilst 2014 has been a disappointing year, it has been a critical year in putting in place the right team, simplifying the business, focusing on a core portfolio centred on consumer technology trends and reducing the cost base to ensure more stability.

Future ended the year in a net cash position, with a rationalised property portfolio and reduced headcount.

The business has largely completed the transformational activities. As a result, the Board expects to see an improvement in underlying margins in 2015 as the impact of operating as a leaner, simpler organisation is realised.

Future does not expect the underlying trends in print circulation and print advertising to change materially, and have factored these revenue declines into ongoing projections. As this is increasingly a lower proportion of the total revenue mix, the net impact is reduced. Additionally, the work completed on reshaping the organisation's costs is expected to allow margin expansion even with a projected continued decline in print revenues.

The new focus on establishing diversified, repeatable and automated digital revenue adjacent to the existing revenue streams has seen some early indications of success during Q4 2014.

Looking forward, Future continues to see the encouraging trends seen in Q4 when the Group as whole returned to a positive EBITDAE position. The Board expects these trends to continue into Q1 2015.

Trading in the current financial year is in line with the Board's expectations across all parts of the business.

**Zillah Byng-Maddick**
Chief Executive

Business model

# Best of Future

Future's new strategy focuses the business on the core skills that are the "Future difference". By interrogating the insight that our customers and clients provide to us, the Group has developed a business model that leverages the best of Future: award winning content creation, expertise in subscription management, and a heritage in digital innovation.


01

## 01. Content that Connects

**Creating high quality, entertaining and unique content that connects with our engaged audiences.**

Future has world-class content creators and digital innovators whose passion is to connect, inspire and entertain the millions of engaged customers who make up our global audience. Our content is at the heart of what we do – and it's powered by our world-class expert journalists, designers, developers and editors.

The quality of our audience engagement and the trust that they place in us to help them meet their needs was recently evidenced during the iPhone 6 launch, when Future experienced new traffic records on our TechRadar site, and the no.1 page ranking on Google* during the day of the announcement.

More recently comScore has named Future the online publisher most likely to be visited by UK males aged 25 to 34.** According to comScore MMX Multi-Platform, males aged 25-34 are 97% more likely to visit Future compared to an average site.

This understanding of our audience's needs ensures that our content also connects with our commercial partners' needs, as we create unique and valuable consumer engagement for our commercial partners.

02


## 02. Meeting the Consumer Need

**Monetising the consumer need through two clear customer experiences.**

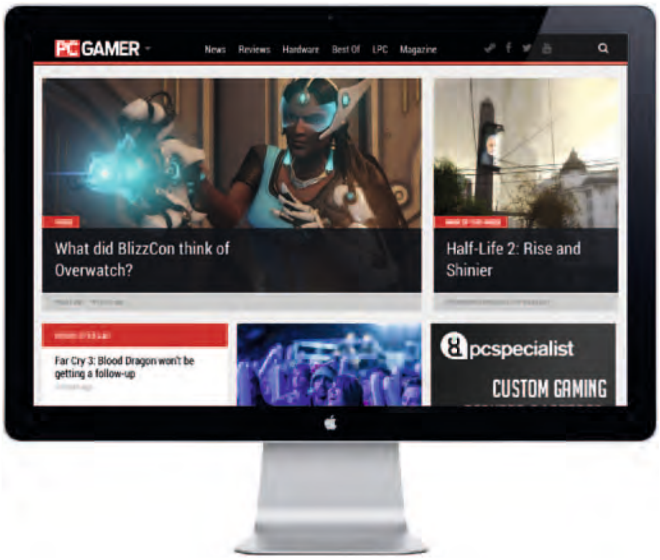
The Group's audiences range from highly specialist to mass consumer, however they are united in one thing – they love and trust our content. They use our content to entertain and engage them while they look to meet two key needs: what to buy, and how to be better at what they love.

By meeting these two key consumer needs we can generate revenues in a number of ways, be that advertising, circulation, event tickets or retail, the key is that we have products that meet the customer's needs best, whatever their need.

The "what to buy" consumer views our content as a core part of the buying decision. They trust us to guide them through that purchase decision, be that a new iPhone, the latest new camera or a new processor for their PC. This customer journey enables us to create both unique and highly targeted advertising opportunities for our commercial partners and also an uninterrupted purchase process where, once they have decided what they want to purchase, we will search our database for the best deals that day.

Future creates high quality content that is trusted and unique. As a result, for many of our audiences we are the place to go to find out more about the things they love to do, whether that be tutorial content, access to specialist insight, latest trends and tricks or access to like-minded people. We create loyal communities of interest for consumers who are passionate about what they do. By meeting our audience's needs we are able to create a number of monetisable opportunities through events, subscription to content or targeted commercial campaigns to our highly engaged audiences.

The Group continues to provide in-depth knowledge to our loyal customers helping them to review the latest products, enabling them to find the best price and then showing them how to get the most out of their purchase, through master classes and our growing app products. By using our data we are able to constantly refine our content, product and services to meet our customer needs; while our marketing insight allows us to exceed their expectations.




04

## 03. A leaner, simpler Business

**Intolerant of complexity; we love the simple solution.**

A core part of the transformation in 2014 has been focused on making our business simpler, be that a simpler working environment, a simpler governance model, or a simpler portfolio group.

We have reduced our operating locations in the UK from four to two main offices, which enables a much improved exchange of information and simpler, quicker decision making; additionally our leaner property strategy will generate significant cost savings.

As a result of the decision to focus on market leading brands in our core markets and to simplify the technologies that enable this, we made the decision to close some marginal titles and websites to redirect digital content into larger core sites where appropriate and rationalise our bookazine business focusing only on the areas where we have the sector expertise, reducing the cost and complexity in the process.

During the year, we closed Official Pokémon and Science Uncovered; November 2014 saw the last ever issue of Official Nintendo Magazine; while during November TotalFilm.com's content migrated to Gamesradar.com.

Through the creation of our content teams, we have been able to share content and ensure we give our unique content the maximum audience exposure. The recent sharing of content during the iPhone 6 launch was a great example of the leaner, simpler organisation at work, where once launched on TechRadar the content was repurposed for use across other sites.

* *Ranked first on Google.com and Google.co.uk for the search term iPhone 6 and iWatch*

** *Source: comScore MMX Multi-Platform, Composition Index Unique Visitors June 2014, UK. Based on largest online publishers by Unique Visitors.*

## 04. Brilliant at the Basics

**Innovation focused on doing what we do better; getting it right first time.**

Future has focused on getting better at the basics with a focus on innovating to make the things we do every day better. During the second half of the year, we have focused on two main areas of the business: growing our commercial sales offering and adopting an agile approach to our product & technology development.

In October 2014, we launched the Future Fusion brand, which builds on our already developed content marketing offering. Future Fusion brings together FuturePlus and NGIN to create an outstanding team of strategists, creative and content specialists. This proven team will collaborate with our brands and award-winning editorial, multi-media and digital teams to produce innovative content, campaigns and media products that deliver results. By joining up Future's multi-channel expertise and access with its content marketing pedigree and deep well of editorial talent, Future Fusion offers a massive competitive advantage to its clients while simplifying how we do business. It is quite simply about being brilliant at the basics.

Our new agile approach to product development has seen a number of early wins during the second half of the year. The recent launch of the new PC Gamer site included an enhanced user experience and responsive design platform which enabled PC Gamer content to display comfortably on any device. The new site was developed by a joint UK-US team, using existing technologies already in the business, which resulted in a quick speed to market and low cost development path. Overnight page views on the new PC Gamer site increased by 129% and dwell times increased by 15%. Month-on-month average page views increased by 93% and dwell times by 19%.

In focusing on being brilliant at the basics we have introduced a new user experience team. Recent insights from this team have allowed us to increase our gross affiliate transaction revenue by 67% in the second half of the year (£2.7m to £4.5m) due to a continued focus on making the basic elements of the experience brilliant.

## Future in numbers

**57m**

**Online**

We have over 57 million users from across the globe visiting our web properties monthly with an average dwell time of two minutes.

**16.2m**

**Social Media**

Future has 16.2 million followers across all the main social networks.

**35,000**

**Events**

Over 35,000 people attended our events in 2014.

**437,000**

**E-commerce transactions**

Last year we facilitated over 437,000 transactions via our retail partnerships.

**250,000**

**Subscribers**

We have over 250,000 digital subscribers worldwide.

## What we do

# Our portfolios

Future plc is an international media group and leading digital business. We have operations in the UK, US and Australia, creating more than 200 print publications, apps, websites and events across our portfolios.


### Technology

Future's sector-leading technology portfolio is constantly innovating, reflecting the fast-moving markets in which it operates. Today, we reach more mainstream technology enthusiasts than ever before through digital, print and events. Nearly 32 million users every month use our influential consumer technology websites, including TechRadar, T3, Gizmodo UK, Lifehacker UK, MacLife, MaximumPC and TechRadar Pro.

These websites are supported by a raft of market-leading print and digital magazines including MacFormat, the UK's largest Apple magazine; Linux Format, the UK's largest Linux magazine; PCFormat; Windows: Help & Advice, and T3 magazine. In the US, the magazine portfolio is further strengthened by MacLife and MaximumPC.

In events, the annual T3 Gadget Awards, now entering their 9th year, are widely regarded as the Oscars of the UK technology industry, recognising the best technology from the preceding 12 months.

**Key brands:**

TechRadar.com
Gizmodo.co.uk
Lifehacker.co.uk
T3
MacFormat
MacLife
MaximumPC
LinuxFormat
T3 Gadget Awards

Event

### Games, Film and Music

Delivering a global reach of over 28.7 million every month, Future's games portfolio holds a unique position in the global games media market, combining the strongest games industry partnerships with an innovative multi-channel approach. With leading brands such as GamesRadar, PC Gamer, Edge, Gamesmaster, Kotaku, Official PlayStation magazine and Official Xbox magazine, Future engages with its audience across online, print, digital editions, social media, video, mobile, on-console and events.

With the world famous movie magazine Total Film, and the equally renowned SFX, Future has an enviable portfolio of film magazines and online content that engages with movie and TV lovers across the globe.

Future also has one of the most highly-respected music portfolios in the world with long-established, market-leading brands such as Guitarist, Computer Music and Rhythm. We continue to lead the market through print and digital innovation as we look to target more musicians on a global scale, best seen by the hugely successful development of MusicRadar.

**Key brands:**

MusicRadar.com
GamesRadar.com
Total Film
SFX
Guitarist
Edge
PC Gamer
Total Guitar
Golden Joysticks

### Photography and Creative

Future's market-leading photography and creative portfolios serve a wide variety of creative audiences through a best-in-class mix of digital content, print products and events.

Future's market-leading photography magazine portfolio is made up of Digital Camera, the UK's best selling photography magazine, NPhoto and Photo Plus. These brands are supported by Photography Week, the international number one photography weekly on iPad and iPhone.

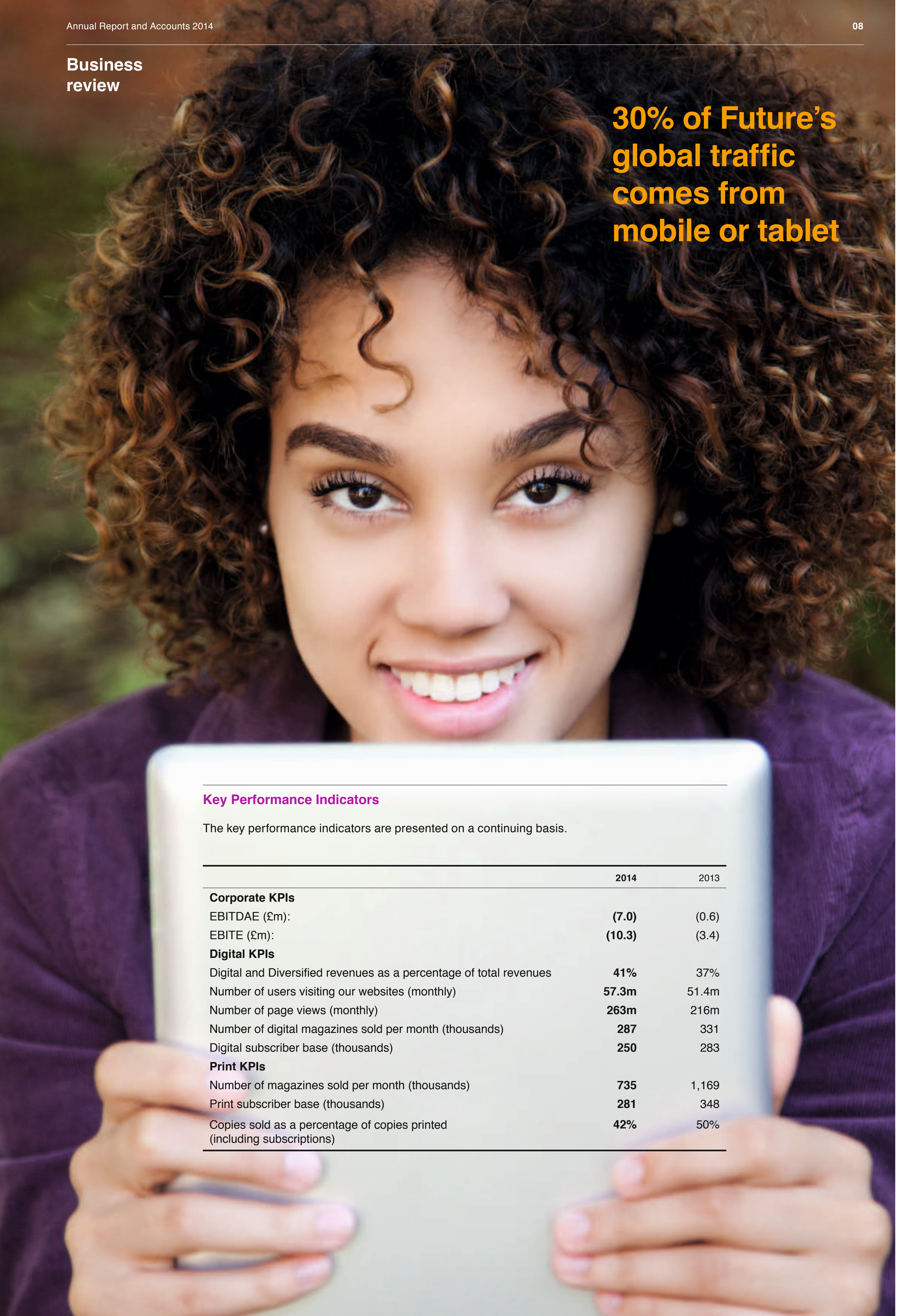
The creative portfolio reaches over four million web designers, developers, graphic designers and 3D artists through the online property Creative Bloq and the market-leading magazines Net, Computer Arts, 3D World and Imagine FX.

The photography and creative portfolios also are responsible for Future's most significant events, including the award winning The Photography Show – the UK's largest event for enthusiast and professional photographers, and Generate – the conference for web designers and developers that now takes place in London and New York.

**Key brands:**

Digital Camera
N-Photo
Photo Plus
Creative Bloq
Net
Computer Arts
Imagine FX
The Photography Show
Generate – London & New York

## Business review



**30% of Future's global traffic comes from mobile or tablet**

### Key Performance Indicators

The key performance indicators are presented on a continuing basis.

| | 2014 | 2013 |
|---|---|---|
| **Corporate KPIs** | | |
| EBITDAE (£m): | **(7.0)** | (0.6) |
| EBITE (£m): | **(10.3)** | (3.4) |
| **Digital KPIs** | | |
| Digital and Diversified revenues as a percentage of total revenues | **41%** | 37% |
| Number of users visiting our websites (monthly) | **57.3m** | 51.4m |
| Number of page views (monthly) | **263m** | 216m |
| Number of digital magazines sold per month (thousands) | **287** | 331 |
| Digital subscriber base (thousands) | **250** | 283 |
| **Print KPIs** | | |
| Number of magazines sold per month (thousands) | **735** | 1,169 |
| Print subscriber base (thousands) | **281** | 348 |
| Copies sold as a percentage of copies printed (including subscriptions) | **42%** | 50% |

# Risks 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 operating any business and we have therefore established a continuous process of identifying, evaluating and managing risk.

## Risk management

| Risks | Description |
|---|---|
| **Operating environment** | The structural change in our operating environment and the pace of the transition from print remain a real risk. There is a risk that print circulation volumes and print advertising revenues decline at a faster rate than anticipated and digital revenues do not grow at a rate to offset the decline. |
| **Debt financing** | Future has a bank facility totalling £9.8m at 30 September 2014. Failure to comply with any financial covenants of the facility could result in additional finance costs and the possible withdrawal of the facility. |
| **Intellectual property** | Future uses, and grants licences to its licensees allowing them to use, various types of third-party content including music, audiovisual material, photos, images and text. As a publisher, Future is responsible for any intellectual property or other infringement relating to the same and as licensor, Future is responsible to its licensees. |
| **Financial** | The long lag time for reporting on sales of exported printed copies continues to be an area of forecasting uncertainty.<br><br>Forecasting remains difficult in all consumer markets. As we diversify our revenue streams, new activities are inherently more difficult to accurately forecast.<br><br>Advertising pipelines can be subject to slippage, with the risk that resulting revenue is pushed into later accounting periods.<br><br>The Group is exposed to interest rate risk and foreign exchange risk.<br><br>The significant issues considered in relation to the financial statements for the year ended 30 September 2014 are set out in the Audit Committee section of the Corporate Governance report on page 27. |
| **IT** | The business is increasingly dependent on technology.<br><br>In the event of a total network or server failure, or data loss, there would be a major impact on the production of magazines, operation of websites and the operational effectiveness of the business. |
| **Staff** | The Group's strong reputation as a leading content provider makes its staff potentially attractive to competitors. There is a risk that key staff will move elsewhere if offered significant increases in remuneration with which Future is unable to compete. |
| **Personal data** | A loss of personal data triggers the need to notify users and the Information Commissioner's Office (ICO) and Future may suffer reputational risk, as well as a significant financial penalty, if it is responsible for the breach. |

**Mitigation**

Future continues to innovate, making available its special-interest content to consumers in print, where we have had a number of successful launches. We create best-in-class content to create an emotional connection with our audiences of engaged enthusiasts, who represent an attractive audience for advertisers. We become an integral part of the purchase cycle which can be monetised via affiliates and e-commerce.

Future continually monitors its cash flows and covenants and has operated within all its covenants throughout the year. The existing facility expires in December 2015 and the Group will consider the refinancing of the facility in 2015.

Future produces guidance and in-house training to educate its staff on the importance of obtaining appropriate rights or licences and has a dedicated in-house rights management team. Future's legal team reviews all significant licences relating to third-party content and, where appropriate, seeks warranties and indemnities relating to the same. Future licenses content to third parties based on standard contracts which seek to limit Future's liability. As the digital world emerges Future is developing its existing rights management system to be media neutral.

On printed product, in particular bookazines, a more conservative initial view on sales estimates continues with emerging trends becoming more apparent, and the exposure in the US has been reduced further, resulting in greater forecasting accuracy.

Future's forecasting in respect of innovative products will become easier as those products develop a more consistent customer base and stable business models.

Careful monitoring of the pipeline and bookings to close the gap in the event of any shortfall.

Future manages interest rate risk and foreign exchange risk, where appropriate, through the use of hedging arrangements (see note 25 to the financial statements for more detail).

Review by Audit Committee with external auditor.

Future's network has at least two diverse routes for all key offices and business-critical data is held on three highly resilient storage devices in different locations. In addition, all core switches are duplicated in different buildings so there are no single points of failure. Servers are distributed across two main data centre locations and several controlled server rooms in different buildings in Bath and San Francisco. 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. Further investment in the IT infrastructure has been made in 2014 and more is planned for 2015.

Future employs people who are passionate about their subject. Future offers a number of staff benefits and incentive programmes to attract and retain key staff, and steps are taken to ensure that the Group is not excessively reliant upon any one employee.

Future seeks to ensure all of its systems comply with best practice as regards to security and has in place a plan to mitigate the effects of any hack. No attacks were suffered in 2014.

There are a number of general business risks to which Future is naturally exposed in the UK and US. In addition, the range of industry-specific risks faced by Future has increased since last year, due to the increasingly digital focus of the media landscape and the increasing number of evolving business models.

Our internal controls seek to minimise the impact of risks, as explained in our Corporate Governance report on page 26, and during the year we have continued to develop those controls in response to the wider range of risks.


**01** Identification of risks

**02** Evaluation of level of risks and controls in place to manage those risks

**03** Action taken to manage risks

**04** Risks reported and monitored

Corporate responsibility

# Responsible business

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

## 1. The environment

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

Our Head of Production and Procurement is chairman of the PPA (Professional Publishers Association) Environment Committee.

**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 2014, 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. In the UK, Future holds the FSC (Forestry Stewardship Council) Chain of Custody certification. This recognises Future's commitment to sourcing paper supplies from sustainable forests.
In 2014, over 90% 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.

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

We are members of the Professional 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.

**Recycling and waste**
The Group is strongly incentivised to minimise the number of unsold magazines and we employ sophisticated techniques to help achieve this. In the UK, 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 use plastic film to package magazines at retail and to wrap subscriptions copies for mailing. Future is a member of the OPRL (On-Pack Recycling Label) scheme to encourage readers to recycle plastic film. Some plastic films are unsuited to recycling and in these instances we use oxo-biodegradable film.

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

## 2. Our people

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

**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. In the UK, during the year to 30 September 2014, there were no fatalities, reportable (RIDDOR) injuries or minor injuries. There were no fatalities or injuries in the US or Australia during this year.

**Policy on disability**
The Group 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 and whistle-blowing, and we have a commitment to diversity and opportunity.

We hold regular town hall sessions for all employees, and extended leadership team meetings where we discuss key strategic initiatives and the performance of the business, in the UK we have also held an all company conference. These initiatives have assisted to ensure that communication is constantly improving across the business and reinforces the building of a positive working environment where we celebrate successes and also assist to ensure there is alignment across the business. Our environment is one where we encourage employees to freely give their views and contribute to initiatives as this continuously develops and improves our offering for the benefit of our consumers & clients.

## 3. The community

**Future in the wider community**
Future people are actively involved with a number of national organisations including the Professional 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.

| Employment data across the Group | 2014 |
|---|---|
| Split of female:male employees as at 30 September 2014 | **34%:66%** |
| Split of female:male Directors of the Company as at 30 September 2014 | **2:3** |
| Split of female:male members of the Group Management Board as at 30 September 2014 | **1:5** |
| Earnings meet at least legal minimum or minimum set by industry | **Yes** |
| Cases of reported and proven discrimination or harassment | **None** |
| Consultation and communication procedures in place for all areas of the business | **Yes** |
| Code of conduct circulated to all existing and new employees | **Yes** |
| Employment of young people under the age of 15 | **None** |

## Statement of Greenhouse Gas (GHG) Emissions for the Group

**Global GHG emissions in tonnes of $CO_2$ equivalent:**

| Emissions from | | 2013 (base year) | 2014 |
|---|---|---|---|
| | | Total | Total |
| The combustion of fuel: gas for heating and fuel; for vehicles (Scope 1) | UK | 470 | 344 |
| | US | 102 | 140 |
| | Total | 572 | 484 |
| The purchase of electricity: heat, steam or cooling by the Group for its own use (Scope 2) | UK | 1,310 | 1,021 |
| | US | 376 | 574 |
| | Total | 1,686 | 1,595 |
| **Total Emissions (CO2e Tonnes)** | | 2,258 | 2,079 |
| **Total Revenue** | | £112.3m | £88.9m |
| **Intensity Ratio (CO2e Tonnes per £1m)** | | 20.1 | 23.4 |

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The emissions sources fall within our financial statements. We do not have responsibility for any emission sources that are not included in our financial statements.

**Methodology:**
We have used the UK Government's Environmental Reporting Guidance. We have applied the 2014 DEFRA GHG Conversion Factor Repository to calculate the CO2e. As a Group with only office-based activities and no manufacturing activities, under the GHG Protocol Corporate Standard, our emissions fall under Scope 1 (the combustion of fuel) and Scope 2 (the purchase of electricity).

**Notes:**

- Scope 1 – Time periods for combustion of gas for heating – figures for the US office are for the financial year. Figures for UK offices are a mix of pro-rated calendar year consumption (London) and financial year consumption (Bath). All figures are estimates based on % share of office space within leased buildings except for UK Bath offices which are actual consumption where whole buildings or floors within buildings have their own meters.

- Scope 1 – Time periods for combustion of fuel in vehicles – only the UK operates leased vehicles and figures for the consumption of fuel are based on averaged annual mileage.

- Scope 2 – Time periods for consumption of electricity – figures for the US office are for the financial year. Figures for the Australian office are pro-rated from typical (August 2014) monthly consumption. Figures for UK offices are a mix of pro-rated calendar year consumption (London) and financial year consumption (Bath). All figures are estimates based on % share of office space within leased buildings except for UK Bath offices which are actual consumption where whole buildings or floors within buildings have their own meters.

- Scope 2 – Electricity Sources – No electricity was purchased from owned or controlled sources.

- Fugitive Emissions – the Group benefits from air conditioning in some of its leasehold buildings. The scale of emissions from leaks is very small (estimated to be less than 0.5% of total emissions) and is deemed to be immaterial to overall reporting and trends.

- Base Year – Financial year 2013 is our baseline year.

- Intensity Ratio – we are using 'Tonnes per £1million revenue'.

- We have maintained our focus on other environmental impacts, particularly initiatives to reduce waste and to continue sourcing all our magazine paper from sustainable forestry.

Financial review

# Transforming Future

The financial results reflect the cost impact of this year's strategic review and the business transformation.

"Following our successful divestments and refinancing we now have a solid foundation for profitable and sustainable growth."

**Richard Haley**
Chief Financial Officer
and Company Secretary

**Digital and Diversified Defined:**

- Digital circulation
- Digital advertising
- Digital commerce
- FutureFolio
- Future Fusion
- Events

## Financial summary

The financial review is based primarily on a comparison of continuing results for the year ended 30 September 2014 with those for the year ended 30 September 2013. Unless otherwise stated, change percentages relate to a comparison of these two periods.

| Continuing operations | 2014 £m | 2013 £m |
|---|---|---|
| Revenue | **66.0** | 82.6 |
| EBITDAE | **(7.0)** | (0.6) |
| Depreciation charge | **(1.0)** | (0.9) |
| Amortisation of intangible assets | **(2.3)** | (1.9) |
| EBITE | **(10.3)** | (3.4) |
| Exceptional items | **(7.5)** | 2.6 |
| Impairment | **(16.8)** | - |
| Operating loss | **(34.6)** | (0.8) |
| Net finance costs | **(0.8)** | (1.4) |
| Loss before tax | **(35.4)** | (2.2) |
| Loss per share (p) | **(10.5)** | (0.7) |
| Adjusted loss per share (p) | **(3.2)** | (1.4) |
| Dividends relating to the year (pence per share) | **-** | 0.2 |

## Revenue

Group revenue was £66.0m (2013: £82.6m) reflecting the rapid decline in print revenues. Print advertising, although down, performed ahead of the decline in copy sales. UK revenue was £53.1m (2013: £63.3m) and in the US £13.7m (2013: £20.0m).

Digital and Diversified revenues now represent 41% of Group revenues, up from 37% last year, driven by strong growth in events and e-commerce, two areas of strategic importance. Digital subscriptions grew by 3%. Overall, Digital and Diversified was down, primarily as a result of a notable decline in content marketing, particularly in the US where there were a number of one-off campaigns in 2013.

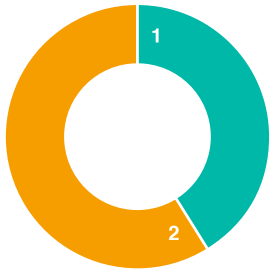
| | 2014 £m | 2013 £m |
|---|---|---|
| Digital and Diversified | **27.3** | 30.4 |
| Print | **38.7** | 52.2 |
| **Total revenue** | **66.0** | 82.6 |

In the UK, Digital and Diversified revenues decreased by 3%, despite the strong growth in events. Over 30,000 consumers and professionals attended the inaugural Photography Show at Birmingham's NEC, generating £1.4m in revenue. This has partially offset the continued decrease in print revenue which the Group continues to experience.


Digital advertising in the UK now represents 63% (2013: 58%) of our UK advertising revenue.

In the US, although Digital and Diversified revenues were down, digital advertising and e-commerce revenues grew year-on-year. Circulation revenue overall fell by 41%. Advertising revenues were down 5%, primarily driven by the decline in print advertising of 25%. The decline in print advertising is slower than the decline in print core content, demonstrating the Group's ability to drive higher margin with its specialised content.

Digital advertising in the US now represents 73% (2013: 66%) of our US advertising revenues. This growth reflects the strategy to fast-track the transition to a digital model, appropriate to the US market.




**Group revenue 2014**

1: Digital and Diversified 41%
2: Print 59%

## EBITDAE

The Group's EBITDAE loss was £7.0m (2013: £0.6m loss). The UK EBITDAE loss was £5.3m (2013: £0.4m profit) and the US made an EBITDAE loss of £1.7m (2013: £1.0m loss).

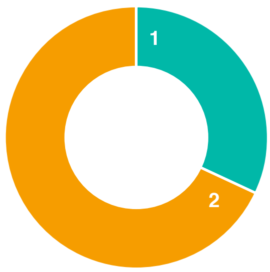
The EBITDAE decline has been heavily affected by the impact of removing the revenue and contribution of the divested businesses ahead of the cost reduction programme. Most of the overheads initially remained with the continuing operations. The reduction in overheads did not begin to impact the Group's performance until Q4.

The Group's headcount was reduced from 980 to 577 employees and the property portfolio was significantly reduced, resulting in a considerably lower like-for-like overhead base. The benefits of this substantially lower overhead base will start to be seen in the current financial year.

## Disposals

The Group sold the non-core Sport, Craft and Auto titles. The total proceeds received were £24.8m including net cash proceeds of £21.3m received to date. The profit from discontinued operations was £1.0m.

These titles have been treated as discontinued operations as disclosed in note 11.




**Group revenue 2013**

1: Digital and Diversified 37%
2: Print 63%

## Impairment

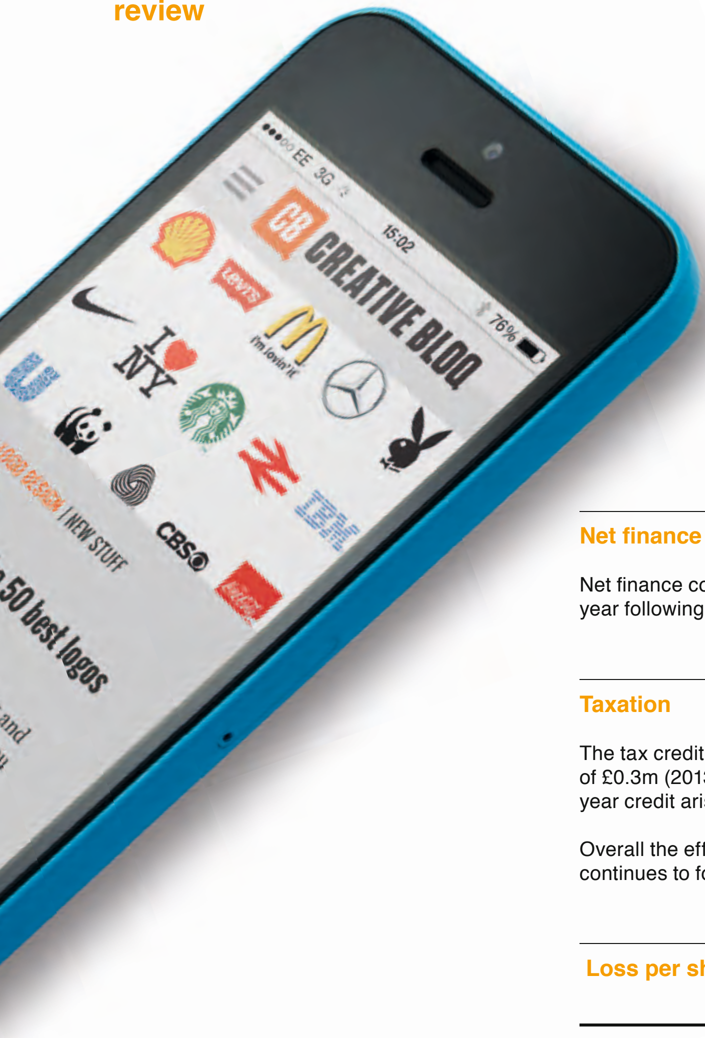
During the year there was a non-cash impairment of historical print-related goodwill of £16.8m, reflecting the impact of the structural decline of print and our planned strategic transition to a digital model.

## Exceptional items

Exceptional costs amounted to £7.5m (2013: £2.6m profit).

Restructuring costs of £5.3m have been recognised in relation to the significant reduction in headcount and the rationalisation of the property portfolio. A vacant property provision of £1.3m has been recognised as a result of vacating a property in Bath. A bad debt charge of £0.9m has been recognised as a result of a major US distributor filing for Chapter 11 bankruptcy protection.

# Financial review




## Net finance costs

Net finance costs were £0.8m (2013: £1.4m) reflecting a decrease in the net debt position over the year following the sale of the Sport, Craft and Auto titles.

## Taxation

The tax credit for the year amounted to £0.5m (2013: £0.1m charge), comprising a current tax credit of £0.3m (2013: £0.2m credit) and a deferred tax credit of £0.2m (2013: £0.3m charge). The current year credit arises in the UK where the standard rate of corporation tax is 22%.

Overall the effective rate for the Group when applied to the loss before tax was 1%. The Group continues to focus on compliance with tax authorities in all territories in which it operates.

## Loss per share

| | **2014** | 2013 |
|---|---|---|
| Basic loss per share (p) | **(10.5)** | (0.7) |
| Adjusted loss per share (p) | **(3.2)** | (1.4) |

Adjusted loss per share is based on the loss after taxation which is then adjusted to exclude exceptional items, impairment and related tax effects. The continuing adjusted loss after tax amounted to £10.6m (2013: £4.7m) and the weighted average number of shares in issue was 332m (2013: 332m).


**Group revenue 2014**

1: Digital and Diversified 41%
2: UK Print 51%
3: US Print 8%

## Dividend

The Board's policy is that dividends should be covered at least twice by adjusted earnings per share. The Board is not recommending a final dividend for the year.

## Cash flow and net debt

Net cash at 30 September 2014 was £7.5m (2013: net debt £6.9m), an increase of £14.4m in the year.

There was a cash inflow from operations before exceptional items of £4.3m (2013: £6.7m). Net cash inflows from the sale of non-core titles amounted to £21.3m (2013: £9.2m).

During the year cash outflows totalled £11.1m (2013: £8.9m). Foreign exchange and other movements accounted for the balance of cash flows.



## Credit facility and covenants

The Group successfully refinanced during the year, with facilities of up to £9.8m at 30 September 2014. This amended facility expires on 31 December 2015.

The Group was in compliance with all the covenants under the new facility at 30 September 2014.

Further details are set out in note 21.

## Going concern

After due consideration, the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

In reaching their decision, the Directors have considered the uncertainty about the rate of decline in print and the ability to grow Digital and Diversified revenues, and therefore the risk that trading performance will be below expectation leading to a covenant breach.

Further details are set out in the Corporate Governance report on pages 25 and 26 and the accounting policies on page 52.

For these reasons the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

## Post balance sheet event

On 10 November 2014, the Group completed the sale of one of its UK properties for £1.25m.

## Key performance indicators (KPIs)

Management uses a number of KPIs to measure the Group's operational and financial performance, the most important of these KPIs are set out on page 8.

## Conclusion

While trading conditions have been particularly difficult in 2014, we have implemented our transformation plans and have a clearly defined business model to return the Group to profitability. Following our successful divestments and refinancing the Group's balance sheet has been strengthened and we have a leaner, simpler business with a solid foundation for profitable and sustainable growth.

The Strategic Report and Financial Review are approved by the Board of Directors and signed on its behalf by:

**Richard Haley**
Chief Financial Officer
and Company Secretary
11 December 2014

## Board of Directors

# Strong leadership

**Peter Allen**
Independent non-executive Chairman

**Zillah Byng-Maddick**
Chief Executive

**Richard Haley**
Chief Financial Officer and Company Secretary

**Manjit Wolstenholme**
Senior independent non-executive

**Mark Wood**
Non-executive

**Hugo Drayton**
Non-executive

**Peter Allen**
Chairman
▲●■

Peter was named Chairman in August 2011. He was Chief Financial Officer of Celltech Group plc between 1992 and 2004. In 2003 he was also appointed Deputy Chief Executive Officer of Celltech until the company was sold in 2004. He was Chief Financial Officer of the electronics company Abacus Group plc from 2005 until the company was sold to Avnet Inc in January 2009. Peter is currently Chairman of Clinigen plc, Advanced Medical Solutions Group plc and Oxford Nanopore Technologies Limited, and a non-executive Director of Mecom Group plc.

**Zillah Byng-Maddick**
Chief Executive

Zillah was appointed as Chief Executive on 1 April 2014. She joined Future in November 2013 as Chief Financial Officer and Company Secretary. Prior to her appointment to the Future plc Board, she was CFO of Trader Media Group – owner of Auto Trader – from 2009 to 2012, and interim CEO of Trader Media from 2012 to 2013. Before this, Zillah was Commercial Director and CFO at Fitness First Limited and Chief Financial Officer of the Thresher Group. Zillah is currently a non-executive Director of Mecom Group plc and Betfair plc.

**Richard Haley**
Chief Financial Officer
and Company Secretary

Richard joined Future as Chief Financial Officer and Company Secretary on 1 October 2014. Prior to this he was at Tesco plc as Finance Director for Tesco Extras UK from 2012 to 2014 and formerly as Group Financial Controller from 2010. Before this, Richard was with KPMG for 13 years specialising in the media sector. Richard is a Fellow of the ICAEW.

**Manjit Wolstenholme**
Senior independent non-executive
▲●■

Manjit joined Future as the senior non-executive Director in February 2011. She is Chairman of Provident Financial plc, and a non-executive Director of Unite Group plc and Aviva Investors. After qualifying as a chartered accountant in 1988 with PricewaterhouseCoopers, Manjit spent 13 years with Dresdner Kleinwort, latterly as co-head of investment banking including more than a decade specialising in the media sector. She was a partner at Gleacher Shacklock from 2004 to 2006.

**Mark Wood**
Non-executive

Mark joined Future in April 2009 as an independent non-executive Director. He was appointed as Chief Executive of Future UK in September 2010 and Chief Executive of Future plc in October 2011. He stepped down as Chief Executive on 1 April 2014 and was appointed as a non-executive Director. Before joining Future, Mark was Chief Executive of ITN, the television news organisation, where he developed a range of digital ventures, including a world-leading digital image business. Prior to ITN, Mark was Editor-in-Chief and Head of Media at Reuters. He began his career as a foreign correspondent for Reuters and was based in Berlin, Moscow, Bonn and Vienna. Mark is a non-executive Director of Ten Alps plc and Citywire plc.

**Hugo Drayton**
Non-executive

Hugo joined Future on 1 December 2014. He is CEO of the advertising technology business, InSkin Media. Prior to ISM, he spent two years as CEO of behavioural targeting specialist, Phorm, following two years as European Managing Director of Advertising.com. He spent 10 years at The Telegraph Group, as Group Managing Director, and previously as Marketing & New Media Director.

Hugo is a Trustee of the British Skin Foundation, chaired the British Internet Publishers' Alliance, and is a regular contributor to trade press and publishing conferences.

▲ Member of the Nomination Committee

● Member of the Remuneration Committee

■ Member of the Audit Committee

Directors' report

For the year ended 30 September 2014

# Directors' report

The information presented in this Directors' report relates to Future plc and its subsidiaries. The Chairman's statement, Chief Executive's reveiw, 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, and the operation of events notably in the areas of Technology, Games and Film, Music, Photography and Creative.

The Company is incorporated and domiciled in the UK and 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 and Strategic report explain 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 2014 Annual General Meeting

All resolutions put to the Annual General Meeting held on 3 February 2014 were passed unanimously on a show of hands. Shareholders holding more than 82% of all issued shares submitted proxy votes and of these, more than 83% were cast in favour of all resolutions.

## Reported financial results

The audited financial statements for the year ended 30 September 2014 are set out on pages 45 to 81. Details of the Group's results are set out in the consolidated income statement on page 46 and in the notes to the financial statements on pages 56 to 81.

## Dividends

The Board's policy on dividends and its recommendation for suspending dividend payments are set out on page 15 in the Financial review. The Company's Employee Benefit Trust (EBT) waives its entitlement to any dividends.

## Share capital

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 Conduct 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 26 on page 78. As at 30 September 2014, the number of shares in issue was 333.8 million. This represents a small increase of 0.1% compared with the number of shares in issue as at 30 September 2013. All of the new shares were issued in satisfaction of employee share option exercises or share awards vesting during the year.

## Directors

Biographical details of the Directors holding office as at 11 December 2014 are set out on page 18.

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 other 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

## Significant shareholdings

At 11 December 2014, the Company had been notified of the following significant interests in its Ordinary shares:

| Shareholder | Number of shares | Percentage of issued share capital |
|---|---|---|
| Aberforth Partners LLP | 84,592,428 | 25.34% |
| Schroders Plc | 80,432,166 | 24.10% |
| Henderson | 33,574,090 | 10.06% |
| Investec Asset Management Ltd | 28,710,000 | 8.60% |
| UBS | 28,348,822 | 8.49% |
| Herald Investment | 18,265,000 | 5.47% |
| Franklin Templeton Investments Corp | 16,663,407 | 4.99% |
| Gartmore Investments Limited | 16,446,486 | 4.93% |
| Artemis Investment Management Ltd | 10,627,757 | 3.19% |
| Church Commissioners of England | 10,421,867 | 3.12% |
| | 328,082,023 | 98.29% |
| Directors' holdings (see opposite) | 1,940,308 | 0.58% |
| Total of significant holdings | 330,022,331 | 98.87% |
| Total number of shares in issue | 333,785,022 | 100% |

## Directors' shareholdings (audited)

| Directors in office at 30 September 2014 | Balance as at 30 September 2013 | Purchases during the year | Balance as at 30 September 2014 |
|---|---|---|---|
| **Executive** | | | |
| Zillah Byng-Maddick[2] | - | 191,738 | 191,738 |
| **Non-executive** | | | |
| Peter Allen[2] | 800,000 | - | 800,000 |
| Mark Whiteling[5] | 400,000 | - | 400,000 |
| Manjit Wolstenholme[2] | 87,889 | - | 87,889 |
| Mark Wood | - | - | - |
| Total | 1,287,889 | 191,738 | 1,479,627 |

**Notes:**
1. All holdings are beneficial.
2. Zillah Byng-Maddick purchased 185,018 shares on 21 November 2014 resulting in a total holding of 376,756 shares. Peter Allen and Manjit Wolstenholme purchased 200,000 and 120,000 shares respectively on 24 November 2014 resulting in total holdings of 1,000,000 shares and 207,889 shares respectively.
3. Details of the share options and awards for executive Directors are set out on page 33. No such options or awards are granted to non-executive Directors. However, Mark Wood continues to hold options over shares in the Company that were awarded to him as Chief Executive. Details of such awards are also set out on page 33.
4. Richard Haley was appointed to the Board on 1 October 2014. As at 11 December 2014, he holds 355,663 shares in the Company, of which 134,302 were purchased on 21 November 2014.
5. Mark Whiteling resigned from the Board on 1 December 2014.

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 21 on page 72) 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 page 31 and note 27 on page 78) will vest or potentially be exchangeable into awards over a purchaser's share capital upon change of control of the Company. There is also a change of control provision in the service agreements of the two executive Directors, exercisable within three months of a change of control by the Company or on one month's notice by the executive to expire no later than three months from the date of the change of control.

## Financial instruments

Information in relation to the Group's use of financial instruments is set out in note 25 on pages 74 to 77.

## Corporate governance

The Board supports best practice in corporate governance. The Board's report on this subject is set out on pages 23 to 28.

## 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. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
:: state whether applicable IFRSs as adopted by the European Union have been followed;
:: prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

## Corporate responsibility

The Board considers that issues of corporate responsibility are important. The Board's report, including a statement on Greenhouse Gas Emissions for the Group, is set out on pages 11 and 12.

## Annual General Meeting 2015

At the Company's sixteenth Annual General Meeting, which will be held on Wednesday 4 February 2015 at 10:30am at Future's London

# Directors' report

For the year ended
30 September 2014

office at 1-10 Praed Mews, London, W2 1QY, a number of resolutions will be proposed. The resolutions are set out in the Notice of Annual General Meeting on pages 82 to 83 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 2014, together with the reports of the Directors and auditors. The audited financial statements appear on pages 45 to 81.

## Ordinary resolution 2 – Directors' remuneration implementation report

Shareholders will be asked to approve the Directors' remuneration implementation report for the financial year ended 30 September 2014, which is set out on pages 30 to 35.

## Ordinary resolutions 3 to 8 – Election of Richard Haley and Hugo Drayton and annual re-election of other Directors

Following Richard Haley's appointment to the Board on 1 October 2014 and Hugo Drayton's appointment to the Board with effect from 1 December 2014, they stand for election to confirm their appointment.

Consistent with our policy since 2004, all Directors are proposed for re-election. Biographical details of all Directors are set out on page 18.

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 Richard Haley and Hugo Drayton be elected as Directors and each Director standing 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 28 in 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 £2,225,000 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 £2,225,000 which represents approximately two thirds of the Company's issued Ordinary shares (excluding treasury shares) as at 11 December 2014. 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 £1,112,500 which represents just under one third of the Company's issued Ordinary shares as at 11 December 2014. 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 £1,112,500. If granted, this authority would replace all previous authorities granted in this connection. The authority granted by this resolution will expire on 31 March 2016 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 continue to propose a resolution designed to avoid inadvertent infringement of these 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 £166,889, equivalent to just under 5% of the Company's issued Ordinary share capital as at 11 December 2014, such authority to expire on 31 March 2016 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 – 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 14 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 10:30am on Monday 2 February 2015. 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 84 to 86.

## 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 17 and 18, 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 profit of the Group; and

(b) the Strategic report and Financial review include 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; and

(c) the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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

**Richard Haley**
Chief Financial Officer
and Company Secretary
11 December 2014

Corporate Governance report

# Good Practice

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.

"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."

**Richard Haley**
Chief Financial Officer
and Company Secretary

Quick find contents



## Our approach to corporate governance

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 the Group.

On 13 August 2014, the Group moved from a Premium Listing to a Standard Listing on the Official List.

For the financial year ended 30 September 2014, we have complied in full (on a voluntary basis from 13 August 2014) with the requirements of the UK Corporate Governance Code (2012) (the "Code") which is available on the Financial Reporting Council website www.frc.org.uk/corporate/ukcgcode.cfm. 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 19 to 22.

From 1 October 2014, the Group will continue to operate in accordance with the principles of the Code, but is not required to comply in full.

## 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 page 18.

**Board changes during the year**
Zillah Byng-Maddick was appointed to the Board on 1 November 2013 to replace Graham Harding who left the Company on 30 November 2013, and she took on the role of Chief Financial Officer and Company Secretary on 18 November 2013. Mark Wood stepped down as Chief Executive and was appointed as a non-executive Director on 1 April 2014. Zillah Byng-Maddick was appointed Chief Executive on 1 April 2014. Seb Bishop resigned as a non-executive Director on 1 April 2014. There were no other changes during the year to 30 September 2014.

**Board changes since 1 October 2014**
On 1 October 2014, Richard Haley was appointed to the Board as Chief Financial Officer and took over the role of Company Secretary from Zillah Byng-Maddick.

On 1 December 2014, Mark Whiteling stood down as a non-executive Director of the Board and Hugo Drayton was appointed in his place.

**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.

The non-executive Directors 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, with the exception of Mark Wood, are considered to be independent by the Board. Mark Wood was Chief Executive of Future plc until 1 April 2014 and holds options over shares in the Company which were granted to him during his time as Chief Executive. Consequently, the Board does not consider that Mark Wood meets the relevant independence criteria. Manjit Wolstenholme is the Senior independent non-executive Director. 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**
The duties and responsibilities of the Board are effectively divided so that the Chairman leads the Board and the Chief Executive leads the business.

**Board meetings**
The Board had eight scheduled meetings during the financial year and attendance is summarised below. The Board had two unscheduled telephone meetings to deal with matters that arose during the year, during which all members were present.

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 Board Directors can meet with and discuss business issues with the Group's senior management team.

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 before each 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.

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 2014 and it was noted that 39 matters had been considered by the Board during the year. The schedule is available on the Company's website at www.futureplc.com. The Board delegates day-to-day operational matters to the Group's senior management team.

| Director | Attendance (8 scheduled meetings) |
|---|---|
| Peter Allen | 8 of 8 |
| Seb Bishop (resigned 1 April 2014) | 4 of 4 |
| Mark Whiteling (resigned 1 December 2014) | 8 of 8 |
| Manjit Wolstenholme | 8 of 8 |
| Mark Wood | 8 of 8 |
| Zillah Byng-Maddick (appointed 1 November 2013) | 7 of 7 |
| Graham Harding (resigned 30 November 2013) | 2 of 2 |

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. No such concerns arose in the year. 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 88). 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.

**Advice and support**
All Directors have access to the Company Secretary who 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 2014. The Company maintains appropriate insurance for its Directors.

## 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. Ongoing training for Directors is available as appropriate whether by presentations to the Board by senior management or more formally where

**Terms of reference for the Audit, Remuneration and Nomination Committees**

The terms of reference for all Committees are available on the Company's website at

**www.futureplc.com**

### Summary of performance evaluation

| Objectives for 2014 | Steps taken during 2014 |
|---|---|
| Growth challenges in the context of declining print | Restructuring plan in US and UK businesses resulted in significant headcount reduction and rationalisation of property portfolio. |
| Find new revenue streams to develop top-line growth | E-commerce initiative rolled out has started to gain traction, but there is more work to be done. |

# Corporate Governance report

“At Future, we are committed to ensuring that good corporate governance is enshrined at the heart of our business structure and processes.”

**Peter Allen**
Chairman

### Re-election of Directors

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.

individual Directors request training on specific issues. The training and development needs of each individual Director are assessed and discussed as part of the annual Board performance evaluation process. The Board encourages appropriate training, and regular updates and refresher sessions are provided by the Company Secretary and the Company’s legal advisers and auditors, to inform the Board or relevant Committees of important changes in legislation, regulation and best practice.

## Performance evaluation

The Directors completed a detailed Board performance evaluation questionnaire as part of the annual performance evaluation process. Each questionnaire was analysed and the results were presented to the Board for discussion. The Chairman discussed the Board’s performance during the year and any specific requirements for training and development with each Director. During the process the Board also compared its performance with the results and recommendations from prior year’s performance evaluations and noted that the Board had made significant progress in dealing with the risks and challenges identified for the year. The Board considers this exercise to be of significant value in ensuring a functional and effective Board and Committees.

The Chairman also met with the non-executive Directors during the year without the executive Directors, in order to assess the performance of the executive Directors.

**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 prepare the Group financial statements on a going concern basis for the following reasons:

- As at 30 September 2014 the Group was in a net cash position of £7.5m (cash £7.5m and bank debt £nil);
- The Group meets its day-to-day working capital requirements through cash management and an amended and restated 18 month bank facility that was signed in June 2014. The facility includes certain financial covenant tests which are measured quarterly;
- The Group was fully in compliance with the financial covenants at 30 September 2014;
- The Directors have prepared detailed projections of expected future cash flows for the period to the end of the facility. These forecasts show that the Group is expected to remain within these covenants at each test date until the end of the facility term (31 December 2015). However, there is minimal headroom on two of the covenants (interest cover and cash flow cover) at certain covenant measurement points. The Directors are confident about the forecast performance of the Group and do not expect the underlying trends in print circulation and print advertising to change materially. However, they consider that there is some uncertainty about the rate of decline in print and the ability to grow Digital and Diversified revenues and there is therefore a risk that trading performance will be below expectation leading to a covenant breach.

In reaching their decision that the financial statements should be prepared on the going concern basis, the Directors have considered the following factors:

- The liquidity headroom which is expected to be available at all times, even under sensitised projections;
- The accuracy of key assumptions and the achievement of key cash flows;
- The continuation and adequacy of bank facilities; and
- The risk of covenant breaches, and in the event of a covenant breach the expectation that revised covenants would be agreed with the lenders.

There are a number of upside mitigating actions that the Group could implement comfortably and a number of upside events that may occur, but are outside of the Group’s control, which may avoid the need to seek amendments to the covenants.

If the Group were unable to agree amendments to the covenants such that undertakings to the Group’s lenders were breached, then the lenders would have the right to demand immediate repayment of all amounts due to them. This eventuality would, if it arose, cast doubt on the future funding of the Group and hence represents a material uncertainty that casts significant doubt upon the Group’s ability to continue as a going concern.

After due consideration, the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements.

**Credit facility**
On 23 June 2014, the Company signed an amendment and restatement agreement to the revolving facility agreement with Barclays and Santander dated 22 February 2013 which came into effect on 21 July 2014 and runs until 31 December 2015. The total facility available to the Group at 30 September 2014 amounts to £9.8m and this can be drawn in sterling, US Dollars or Euros.

**Financial covenant compliance**
Key covenants are tested quarterly. The Group has covenants in respect of net debt/bank EBITDA, bank EBITDA/interest, cash flow/debt service, capital expenditure and exceptional costs, all of which were met at 30 September 2014.

**Risk management and internal controls**
Details of the principal risks and the Group's approach to managing them are set out on pages 9 and 10. 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 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 are explained further in the following paragraphs.

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.

The Group finance team manages the financial reporting processes ensuring that there is appropriate control and review of the financial information including the production of the consolidated financial statements.

Group finance is supported by operational finance managers throughout the Group who have the responsibility and accountability to provide information in accordance with our policies and procedures.

During the year a new Executive Committee was established which has responsibility for the running of the business globally.

The Executive Committee hold monthly management meetings with combined UK and US senior management in order to provide a proper opportunity for financial results and other business and operational issues to be explored and addressed in a timely manner.

**Internal audit**
The Audit Committee and the Board have again during 2014 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.

**Whistle-blowing policy**
As part of its internal controls, the Group has a whistle-blowing policy which is updated regularly and published on the Group'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.

**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 at www.futureplc.com. There is a specific Investor Relations section on that site which includes links to 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.

All Directors are available to meet shareholders at the AGM or on request by contacting the Chairman or Company Secretary. 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 in order to update them on the progress of the business and gauge their views following the analyst presentations of the results.

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 (3 scheduled meetings) |
|---|---|
| Mark Whiteling (Chairman resigned 1 December 2014) | 3 of 3 |
| Peter Allen | 3 of 3 |
| Manjit Wolstenholme[1] (Chairman from 1 December 2014) | 3 of 3 |

1. The Chairman of the Committee, Manjit Wolstenholme, has recent and relevant financial experience.

The Audit Committee's primary objective is to provide effective financial governance and monitor the integrity of the Group's financial statements and internal controls.

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 external auditors and undertaking a detailed review of the Group's internal controls and risk management systems. It considered whether the 2014 Annual Report was fair, balanced and understandable and advised the Board accordingly.

The Audit Committee carries out the functions required by rule 7.1.3 of the Disclosure and Transparency Rules.

**Significant financial reporting judgements**
The Audit Committee discussed the key risks and judgements with management and the auditors as part of the audit planning process in July 2014. At the same time they discussed and agreed upon appropriate levels of materiality in the context of the anticipated results for the year. As a result of those discussions an audit plan was agreed and subsequently executed.

# Corporate Governance report

> “The Audit Committee is responsible for providing effective financial governance and monitoring the integrity of the Group’s financial statements and internal controls.”

**Manjit Wolstenholme**
Chairman of the
Audit Committee

**Investor Relations**

For copies of all of the Group’s public announcements made via the RNS and copies of the Committees’ terms of reference, visit

www.futureplc.com/investors

The significant judgements considered in relation to the financial statements for the year ended 30 September 2014, which were originally identified and discussed as part of the planning process referred to above, are set out below and were addressed as follows:

1. Going concern

   The Audit Committee has considered the going concern assumption as set out on pages 25, 26 and 52.

   Management prepared detailed assessments of going concern that set out all relevant considerations. These were reviewed in depth by the Audit Committee, together with the auditors who confirmed that their independent tests continued to support the position of the Group as a going concern. Further information is set out on page 16 of the Financial review.

2. Revenue recognition

   The areas of revenue which carry the most judgement are newstrade revenue (both domestic and export). Management has carefully considered the estimates of returns made in respect of newstrade revenues and the recognition of revenues on the larger advertising contracts and have concluded that they are appropriate. The estimates and judgements made have been discussed with the auditors and the Audit Committee.

3. Carrying value of goodwill and long lived assets

   IAS 36 requires an impairment test to be performed for goodwill on an annual basis or where there is an indication of impairment. Management prepared a detailed assessment at the half year due to indications of impairment and again at the year end in line with the annual test. Management prepared a detailed impairment assessment of the UK business and the US business as separate groups of cash generating units at 31 March 2014.

   Management discussed the impairment assessment and responded to the challenges put forward by the auditors and the Audit Committee. Management concluded that as a result of this assessment an impairment of £16.8m was required to the continuing business at 31 March 2014. Management prepared a further detailed impairment assessment at 30 September 2014.

   The key assumptions made in that assessment were as follows:

   - Growth rate to perpetuity 2.0%
   - EBITDAE margins assumed 0.4% to 23.3%
   - Discount rate (post-tax) 10.4% to 11.7%

   Following the impairment in goodwill during the year, we assessed the company’s investments in subsidiaries. This assessment resulted in an impairment of £27.2m.

   Management concluded that no further impairment was required. The Audit Committee agree with this conclusion.

4. Exceptional items

   Due primarily to the Transformation activities and a major distributor filing for bankruptcy in the year, there are an increased number of items considered exceptional in nature. The Audit Committee has discussed the items with the auditors and agrees with the conclusion that these items should be presented as exceptional.

5. Discontinued operations

   Management has determined that the Sport, Craft and Auto portfolios which were disposed of during the year should be classified as discontinued operations in line with IFRS 5. The portfolios are material to the financial statements and represent a major line of business.

   The net trading results, together with the profit on disposal of the discontinued operations, are shown separately on the face of the income statement as a single line item with their results up to disposal being disclosed within the notes to the financial statements. The Audit Committee has reviewed the position with management and the auditors and agree with this conclusion and presentation.

6. Tax

   The Audit Committee has reviewed the tax position of the Group with management and the auditors. During the year, the Committee has been actively involved in considering any areas of judgement relating to tax positions in the UK, US and Australia. The tax risk was considerably lower following the settlement with HMRC in the prior year.

**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 were higher than the audit fee, and related mainly to work carried out on the Company's class 1 circular to shareholders relating to the sale of the Sport and Craft portfolios (the "Circular"). For further details regarding fees paid, see note 4 to the financial statements on page 57.

**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 2014, 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 mainly comprised work in relation to the Circular, 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.

With the exception of the Circular and tax work during the year, the Group has had little non-audit 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 15 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 (1 scheduled meeting) |
|---|---|
| Peter Allen (Chairman) | 1 of 1 |
| Manjit Wolstenholme | 1 of 1 |
| Seb Bishop (resigned 1 April 2014) | 1 of 1 |
| Mark Whiteling (resigned 1 December 2014) | 1 of 1 |

In addition to the scheduled meeting, there was one conference call during the year on which all Committee members were present to discuss the departure of Mark Wood from the position of Chief Executive and the appointment of Zillah Byng-Maddick in his place, and Mark Wood's reappointment to the Board as a non-executive Director.

Mark Wood stepped down as Chief Executive following the difficult trading period in the middle of the year. He had been working closely with Zillah Byng-Maddick, who was Chief Financial Officer, to restructure the Group and secure significant cost savings. Since this process was well advanced and needed to be further extended, the Board felt that Zillah was uniquely positioned to take over as Chief Executive and to fulfill the restructuring plans. The Board was delighted that Mark agreed to stay as on the Board as a non-executive Director, since he has extensive media experience. The Board has also filled the Chief Financial Officer role with the appointment of Richard Haley, ex Tesco, and believes that the executive team is well placed to complete and then sustain the restructuring, the benefits of which will be seen in the new financial year.

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 2015 AGM and the election of Richard Haley and Hugo Drayton to confirm their appointments to the Board. 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 (3 scheduled meetings) |
|---|---|
| Manjit Wolstenholme (Chairman) | 3 of 3 |
| Peter Allen | 3 of 3 |
| Mark Whiteling (resigned 1 December 2014) | 3 of 3 |
| Seb Bishop (resigned 1 April 2014) | 2 of 2 |

There were three scheduled meetings and one unscheduled meeting during the year, at which all Committee members were present.

The Remuneration Committee determines the remuneration packages of executive Directors, including performance-related awards and share-based incentives, remuneration policy, which includes the individual bonus targets for executive Directors and performance criteria attached to share-based incentives, the remuneration of the Chairman, recommendations of remuneration levels for non-executive Directors and senior management in line with industry remuneration packages and the implementation of any new share-based incentive scheme proposed to be implemented. The Directors' remuneration report is set out on pages 29 to 39.

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

RHaley

**Richard Haley**
Chief Financial Officer
and Company Secretary
11 December 2014

Directors' remuneration report

For the year ended 30 September 2014

# Annual statement

The remuneration philosophy is designed to ensure that reward for performance is competitive and appropriate for the results delivered by the Group. The remuneration policy seeks to align remuneration with shareholder interests based on the achievement of strategic objectives and financial performance.

Dear shareholders,

I am pleased to present the Directors' remuneration report for the financial year ended 30 September 2014. This report has been prepared on behalf of the Future plc Board by the Remuneration Committee, and has been approved by the Future plc Board.

As required under the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (SI 2013/1981) Directors' Remuneration Regulations, this report is split into three sections: this letter, an Implementation report, setting out details of Directors' remuneration for the financial year ended 30 September 2014, and a Remuneration policy report, repeating the Group's remuneration policy ("Policy") for executive and non-executive Directors for the three year period from 1 October 2013.

The key challenges faced by the Remuneration Committee during the year were the changes to the roles of Chief Executive and Chief Financial Officer, the recruitment of an entirely new senior management team as part of the transformation of the business, and setting appropriate targets for short-term and long-term incentives during this period of significant change for the Group.

During the year to 30 September 2014, the Committee has considered the level and make-up of the executive Directors' remuneration packages, including the grant of share-based incentive awards and the basis of performance-related bonuses, details of which are set out in the Implementation report and the Policy. The Committee has, in particular, focused its efforts on conducting a careful review of the Performance Share Plan (PSP), which is due to expire in January 2015, and updating the rules as part of the process of extending the PSP. In consultation with major shareholders, the Committee intends to introduce new performance targets for the PSP which the Committee considers to be more appropriate to the current scale, size and future development of the Group.

Further, the Committee has decided to replace the all employee save-as-you-earn scheme (Sharesave) with a share incentive plan (SIP) in order to encourage active employee share ownership. The Committee believes that by holding shares in the Company employees will be more productive and feel more invested in the Company's future, sharing in the same risks and rewards as all shareholders.

The remuneration philosophy is designed to ensure that reward for performance is competitive and appropriate for the results delivered by the Group. The remuneration policy seeks to align remuneration with shareholder interests based on the achievement of strategic objectives and financial performance. As a result, remuneration levels are designed to reflect the relative performance of the business for the relevant period.

The actions taken by the Group during the year ended 30 September 2014 to revise its strategy and reshape and reorganise the business, which included the disposal of the Sport, Craft and Auto portfolios, the refinancing of the business, a significant headcount reduction and rationalisation of its UK property portfolio, are expected to deliver the necessary cost savings to provide a strong platform from which the Group can execute its revised strategy.

We believe that the Policy incentivises the executive team to deliver growth in the short, medium and long term.

M. Wolstenholme

**Manjit Wolstenholme**
11 December 2014

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# Implementation report

The following report provides details of Directors' remuneration for the year ended 30 September 2014. In setting remuneration for the year, the Committee applied the principles set out in the Remuneration policy report.

## Remuneration Committee

Four independent non-executive Directors served on the Remuneration Committee during the year to 30 September 2014: Manjit Wolstenholme chairs the Committee, Peter Allen and Mark Whiteling served throughout the year and Seb Bishop served on the Committee until his resignation from the Board on 1 April 2014. On 30 November 2013, Zillah Byng-Maddick, Chief Financial Officer and company secretary, was appointed as Secretary to the Committee and was replaced as Secretary to the Committee by Richard Haley on 1 October 2014.

The Committee is responsible for determining the basic annual salaries, incentive arrangements and terms of employment of executive Directors, for making recommendations regarding non-executive Directors' fees, 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.

It is the Board that is responsible for determining the remuneration of non-executive Directors following the recommendation of the Committee as set out on page 32.

No Director is involved in deciding his or her own remuneration. As explained on page 24, the terms of reference of the Remuneration Committee, reviewed annually, are available on the Company's website.

## Performance-related bonus (Annual Bonus Scheme)

**Operation of the scheme**

The performance-related bonus is subject to both profit related and subjective individual

## Single Total Figure of Remuneration (audited)

The remuneration of the Directors is set out below:

| | Salary/fees | | Benefits[1] | | Annual bonus[3] | | PSP[3] | | Pension[2] | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2014 £'000** | 2013 £'000 | **2014 £'000** | 2013 £'000 | **2014 £'000** | 2013 £'000 | **2014 £'000** | 2013 £'000 | **2014 £'000** | 2013 £'000 | **2014 £'000** | 2013 £'000 |
| **Executive Directors in office as at 30 September 2014** | | | | | | | | | | | | |
| Zillah Byng-Maddick [4, 5] | **209** | - | **8** | - | **63** | - | **-** | - | **26** | - | **306** | - |
| **Non-executive Directors in office as at 30 September 2014** | | | | | | | | | | | | |
| Peter Allen | **120** | 120 | **-** | - | **-** | - | **-** | - | **-** | - | **120** | 120 |
| Manjit Wolstenholme | **45** | 45 | **-** | - | **-** | - | **-** | - | **-** | - | **45** | 45 |
| Mark Whiteling | **45** | 45 | **-** | - | **-** | - | **-** | - | **-** | - | **45** | 45 |
| Mark Wood [5] | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - |
| **Total for non-executive Directors** | **210** | 210 | **-** | - | **-** | - | **-** | - | **-** | - | **210** | 210 |
| **Former executive Directors** | | | | | | | | | | | | |
| Mark Wood [5] | **146** | 285 | **5** | 10 | **-** | - | **-** | - | **18** | 36 | **169** | 331 |
| Graham Harding [4] | **35** | 185 | **6** | 7 | **-** | - | **-** | - | **4** | 23 | **45** | 215 |
| **Total for former executive Directors** | **181** | 470 | **11** | 17 | **-** | - | **-** | - | **22** | 59 | **214** | 546 |
| **Former non-executive Director** | | | | | | | | | | | | |
| Seb Bishop | **20** | 40 | **-** | - | **-** | - | **-** | - | **-** | - | **20** | 40 |
| **Total** | **620** | 720 | **19** | 17 | **63** | - | **-** | - | **48** | 59 | **750** | 796 |

**Notes:**

1. Benefits for executive Directors comprise principally car allowance, private health insurance and life assurance. There were no taxable expenses paid to any Director in the year.
2. Mark Wood received a cash supplement in lieu of pension contribution. This additional cash payment was not included in determining his entitlement to any bonus, share-based incentive or pension entitlement.
3. Details relating to the Annual Bonus Scheme and the Performance Share Plan ("PSP") are set out on pages 30 to 32.
4. Zillah Byng-Maddick was appointed to the Board on 1 November 2013 and replaced Graham Harding as Chief Financial Officer with effect from 18 November 2013. Graham Harding left the Company on 30 November 2013 having served two months of his contractual notice period. In lieu of the remaining ten months' notice, he received a lump sum payment of £123,933 in December 2013 and a further £14,317 on 31 July 2014. In addition, the Company paid a pension contribution in the amount of £15,417 in December 2013 and a further contribution of £3,854 on 31 July 2014. In addition to the above, he received an ex gratia amount of £34,837 in December 2013 as compensation for employment claims arising on termination and certain employment benefits, including private health insurance up until 30 September 2014.
5. Zillah Byng-Maddick was appointed as Chief Executive with effect from 1 April 2014 in place of Mark Wood. Following termination of his appointment as Chief Executive, Mark Wood is entitled to receive £27,552 per month during the 12 month period to March 2015, which relates to basic salary, car allowance and cash supplement in lieu of pension payments. These monthly payments shall be reduced by the amount of any fees or benefits payable to Mark Wood in respect of any other position that he takes up during this 12 month period including fees payable in respect of his appointment as non-executive Director of Future plc, although he shall be entitled to retain any fees and/or benefits payable in respect of the first non-executive director role that he accepts in addition to his role as non-executive Director of Future plc.
6. Richard Haley was appointed to the Board on 1 October 2014 and consequently no remuneration is included above.

performance criteria, with 20% of the potential maximum performance-related bonus payable being subject to subjective individual performance criteria determined by the Committee, although the Committee has discretion to vary the potential total maximum bonus, the weighting of the variable elements and the stretch of the targets in order to incentivise or recruit executive Directors, provided that the total potential maximum bonus payable for any year shall not exceed 150% of salary and the bonus shall only be payable for over performance. The potential maximum performance-related bonus payable under the Annual Bonus Scheme during 2014 was 100% of basic annual salary to Mark Wood as Chief Executive and 65% to Zillah Byng-Maddick as Chief Financial Officer. On the appointment of Zillah Byng-Maddick as Chief Executive, the Committee increased her potential maximum bonus for the year ending 30 September 2014 to 120% of basic annual salary, subject to achieving financial performance targets.

Payment of any performance-related bonus under the Annual Bonus Scheme is made in December, following announcement of the preliminary results and conclusion of the audit in respect of the preceding financial year. Payment of any performance-related bonus is also subject to the executive Director being in the Company's employment at the time of payment of such performance-related bonus and not having given or received notice of termination of employment and certain other events not having occurred.

**Performance targets**

The profit criteria for payment of the performance-related bonus originally set for 2014 was in a range from 85% to 115% target EBITE, as follows:

:: If EBITE is more than 15% below target EBITE, no profit-related bonus will be payable.

:: If EBITE is 15% below target EBITE, 10% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.

:: If EBITE is 10% below target EBITE, 20% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.

:: If EBITE is 5% below target EBITE, 30% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.

:: If EBITE target is achieved, 50% of the potential maximum of the profit-related bonus will be payable.

:: If EBITE target is exceeded by 5%, 65% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.

:: If EBITE target is exceeded by 10%, 85% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.

:: If EBITE target is exceeded by 15% or more, 100% of the potential maximum of the profit-related bonus will be payable.

:: If EBITE falls in between any of the above levels, a percentage of the potential maximum profit-related bonus will be payable, on a pro rata basis to the levels expressed above, in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.

The EBITE target is not disclosed as this is believed to be a commercially sensitive number but it is set by the Committee to be challenging and is set by reference to the budget for the relevant financial year. The individual performance criteria set by the Committee were designed to reward the successful implementation of specific elements of the Group's financial and operational strategy.

Payment of any part of the individual performance-related bonus is subject to the 85% EBITE floor being achieved.

Following the appointment of Zillah Byng-Maddick as Chief Executive with effect from 1 April 2014, the Committee re-set the performance targets as a result of the review of the business that was carried out during March and April 2014 and the resulting comprehensive restructuring programme to be undertaken during the remainder of the financial year, as agreed by the Board.

**Actual performance against targets for the year**

Since the actual EBITE achieved from continuing operations of £(10.3)m was below the threshold set by the Committee for the minimum amount of bonus to be paid, no profit-related bonus is payable to Zillah Byng-Maddick in respect of the financial year to 30 September 2014. The Committee exercised its discretion, however to award 20% of the potential maximum bonus based on Zillah Byng-Maddick's individual performance during the year.

## 2005 Performance Share Plan (PSP)

**Operation of the scheme**

The PSP has been in operation since 2005 and is designed to reward performance over a three-year period in the context of performance targets which are designed to align the interests of the executive Directors with those of the shareholders. Those targets are set out below and opposite. The maximum amount of an award in any financial year is normally 100% of basic annual salary. However, in exceptional circumstances, where it is felt necessary to provide further incentive to the executive Directors, awards of up to 200% of basic annual salary may be approved. Prior to January 2012 awards were granted to executive Directors and key senior executive management. Since this date, awards have been made only to the executive Directors.

The PSP will expire in January 2015 and, in consultation with the Company's major shareholders, the Committee intends to renew the PSP and update the rules to bring them in line with current best practice where applicable, and to re-set the targets to ensure that they are appropriate for the size, scale and future development of the Group.

**Existing performance targets**

Subject to the executive Directors remaining in employment at the vesting date, awards shall vest subject to the following criteria having been met.

:: Earnings Per Share (50% of award)

Growth in EPS over the three years of at least annual Retail Price Index (RPI) + 3% for this part of the award to vest (at this level the vested amount is zero), with full vesting at annual RPI + 8% and on a straight-line basis between these levels.

:: Total Shareholder Return (50% of award)

The Company's TSR performance is compared against a basket of comparator companies comprising at all times a minimum of 15 companies.

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 in median ranking, 25% of this part of the award will vest through to 100% if the Company is ranked in the upper quintile, i.e. top 20%. Between median and upper quintile, this part of the award will vest on a pro rata straight-line basis.

In respect of the TSR performance for awards granted up to 20 December 2010, the Company's TSR performance was measured against the following basket of comparator companies:

**Bloomsbury Publishing**
**Centaur Media**
**Chime Communications**
**Euromoney Institutional Investor**
**Haynes Publishing**
**HIBU**
**Informa**
**ITE Group**

**ITV**
**Johnston Press**
**Mecom Group**
**Pearson Group**
**Reed Elsevier**
**STV Group**
**Trinity Mirror**
**Wilmington Group**
**WPP Group**

The list of comparator companies in relation to all PSP awards granted from 21 December 2010 onwards is as follows:

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

**Performance against targets in respect of the 21 December 2010 award**

The Committee exercised its discretion to waive the requirement for Graham Harding to remain employed within the Group at the vesting date and to allow the award to vest in December 2013, subject to the relevant performance criteria having been met. The movement in EPS for the relevant measurement period was -67% and TSR performance placed the Company 16th within the group of 19 comparator companies. Consequently, the PSP award granted to Graham Harding in December 2010 lapsed in its entirety on 21 December 2013.

**Performance against targets in respect of the 18 January 2012 awards**

The Committee exercised its discretion to waive the requirement for Graham Harding and Mark Wood to remain employed within the Group at the vesting date and to allow the awards to vest on a pro rata basis in January 2015, subject to the relevant performance criteria having been met. The movement in EPS for the relevant measurement period was -286% for the total Group and TSR performance placed the Company 17th within the group of 18 comparator companies. Consequently, the PSP awards granted to Mark Wood and Graham Harding in January 2012 shall lapse in their entirety on 18 January 2015.

## Non-executive Directors' remuneration

Non-executive Directors do not participate in any of the Company's share incentive arrangements, nor do they receive any benefits. Their fees are reviewed every three years. The Chairman's fees are set by the Committee, and those for the non-executive Directors are set by the Board as a whole.

## Pension entitlements (audited)

The only element of remuneration that is pensionable is basic annual salary, excluding performance-related bonuses and benefits in kind. Employer's pension contributions are payable for the executive Directors at a rate of 12.5%. The liability of the Company in respect of the executive Directors' pensions amounts to £2,969 as at 30 September 2014. Normal retirement age under the scheme rules is 75.

## Payments to past Directors (audited)

No payments were made to any past Directors during the financial year ended 30 September 2014.

## Payments for loss of office (audited)

During the financial year to 30 September 2014, the following payments in respect of loss of office were made.

Graham Harding left the Company on 30 November 2013 having served two months of his contractual notice period. In lieu of the remaining ten months' notice, he received a lump sum payment of £123,933 in December 2013 and a further £14,317 on 31 July 2014. In addition, the Company paid a pension contribution in the amount of £15,417 into the Company's group personal pension plan on his behalf in December 2013, and a further contribution of £3,854 on 31 July 2014. In addition to the above, he received an ex gratia amount of £34,837 in December 2013 as compensation for employment claims arising on termination and certain benefits including private health insurance up until 30 September 2014.

Following termination of Mark Wood's appointment as Chief Executive with effect from 1 April 2014, he is entitled to receive £27,552 per month during the 12 month period to March 2015, which relates to basic salary, car allowance and cash supplement in lieu of pension payments. These monthly payments shall be reduced by the amount of any fees or benefits payable to Mark Wood in respect of any other position that he takes up during this 12 month period, including fees payable in respect of his appointment as non-executive Director of Future plc, although he shall be entitled to retain any fees and/or benefits payable in respect of the first non-executive Director role that he accepts in addition to his role as non-executive Director of Future plc.

## Statement of Directors' shareholding and share interests (audited)

The Company has a policy on share ownership by executive Directors which requires that any such Director should

## Share incentives awarded during the year (audited)

**PSP Grants**

| | Date of award | % salary | Value (£) | % vesting at min performance | No. shares awarded | Performance period |
|---|---|---|---|---|---|---|
| Zillah Byng-Maddick | 16 December 2013 | 153% | £350,000 | 12.5% | 2,000,000 | 1 Oct 2013 – 30 Sept 2016 |
| | 16 July 2014 | 74% | £210,000 | 12.5% | 2,500,000 | 1 Oct 2013 – 30 Sept 2016 |
| Mark Wood | 16 December 2013 | 100% | £285,000 | 12.5% | 1,628,571 | 1 Oct 2013 – 30 Sept 2016 |

**Notes:**
1. The value of the PSP awards are calculated using the share price at the date of grant, which was 17.5p per share for the December 2013 award and 8.4p for the July 2014 award. The value of the PSP award granted to Zillah Byng-Maddick on 16 December 2013 is calculated by reference to her FTE salary of £228,600.
2. The PSP awards are exercisable at nil value.
3. The performance conditions attached to the grant of the above awards are the same as set out on page 31.
4. The percentage vesting at minimum performance represents the 25% vesting of the TSR element of the award.

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# Directors' remuneration report

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accumulate a holding in shares over a five year period from appointment where the acquisition cost of those shares represents at least one times salary.

In respect of Zillah Byng-Maddick, the relevant five year period commenced on 1 November 2013 and will end on 31 October 2018. As at 11 December 2014, Zillah Byng-Maddick has a holding of 376,756 shares, of which 191,738 were purchased at a price of 7.75p on 16 July 2014 and 185,018 were purchased at a price of 7.99p on 21 November 2014. In respect of Richard Haley, the period commenced on 1 October 2014 and will end on 30 September 2019. As at 11 December, he has a holding of 355,663 shares, of which 134,302 were purchased at a price of 7.4p on 21 November 2014.

Details of Directors' shareholdings are set out on page 20 of the Directors' report.

## Company performance

The performance graph opposite shows the TSR on a holding of shares in the Company compared with the FTSE All Share Media Index (UK companies).

The following is a list of the companies currently included in the FTSE All Share Media Index (UK companies):

**4 Imprint Group**
**Bloomsbury Publishing**
**British Sky BCast Group**
**Centaur Media**
**Chime Comms**
**Entertainment One (DI)**
**Euromoney Instl. Investor**
**Huntsworth**
**Informa**
**ITE Group**
**ITV**
**Johnston Press**
**Mecom Group**
**Moneysupermarket.com GP**
**Pearson**
**Perform Group**
**Reed Elsevier**
**Rightmove**
**STV Group**
**Tarsus Group**
**Trinity Mirror**
**UBM**
**UTV Media**
**WPP**
**Zoopla Property Group**

## 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, including details of the awards made during the year.

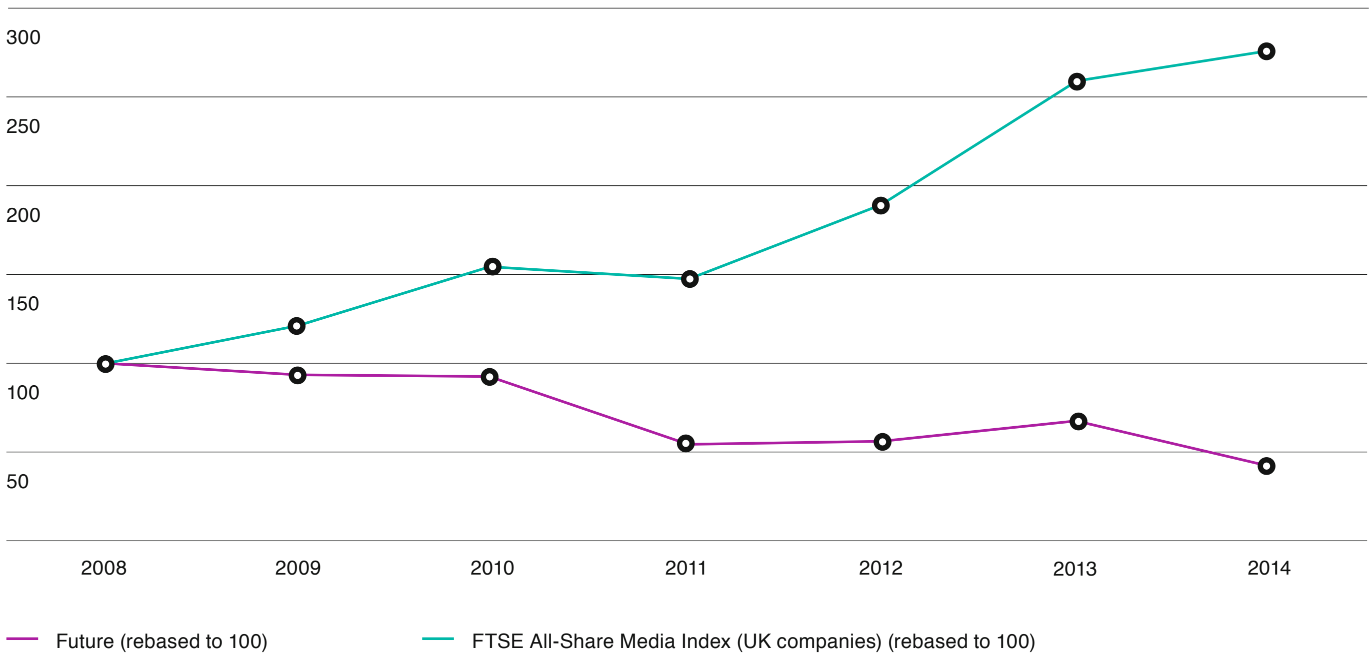
| | Date of grant | Price paid for grant | Earliest exercise date | Expiry date | Exercise price per share (p) | Balance at 1 Oct 2013 | Granted during the year[4] | Vested during the year | Lapsed unexercised during the year | **Balance at 30 Sept 2014** |
|---|---|---|---|---|---|---|---|---|---|---|
| **PSP[1]** | | | | | | | | | | |
| Mark Wood [6] | 18 Jan 2012 | Nil | 18 Jan 2015 | N/A | Nil | 3,500,000 | - | - | (935,675) | **2,564,325** |
| | 17 Dec 2012 | Nil | 17 Dec 2015 | N/A | Nil | 1,583,333 | - | - | (905,174) | **678,159** |
| | 16 Dec 2013[4] | Nil | 16 Dec 2016 | N/A | Nil | - | 1,628,571 | - | (1,472,549) | **156,022** |
| Graham Harding[5] | 21 Dec 2010 | Nil | 21 Dec 2013 | N/A | Nil | 224,221 | - | - | (224,221) | **-** |
| | 18 Jan 2012 | Nil | 18 Jan 2015 | N/A | Nil | 1,444,444 | - | - | - | **1,444,444** |
| Zillah Byng-Maddick | 16 Dec 2013[4] | Nil | 16 Dec 2016 | N/A | Nil | - | 2,000,000 | - | - | **2,000,000** |
| | 16 Jul 2014[4] | Nil | 16 July 2017 | N/A | Nil | - | 2,500,000 | - | - | **2,500,000** |
| **Sharesave[2]** | | | | | | | | | | |
| Zillah Byng-Maddick | 13 Dec 2013 | Nil | 1 Feb 2017 | 1 Aug 2017 | 13.0 | - | 69,230 | - | - | **69,230** |
| Mark Wood | 20 Dec 2010 | Nil | 1 Feb 2014 | 1 Aug 2014 | 16.5 | 54,545 | - | - | (54,545) | **-** |
| Graham Harding | 20 Dec 2012 | Nil | 1 Feb 2016 | 1 Aug 2016 | 14.0 | 64,285 | - | - | (64,285) | **-** |
| **DABS[3]** | | | | | | | | - | | |
| Graham Harding[5] | 21 Dec 2010 | Nil | 21 Dec 2013 | N/A | Nil | 62,500 | - | (62,500) | - | **-** |

As noted on page 20, Zillah Byng-Maddick's beneficial interests in the shares of the Company were 191,738 at 30 September 2014.

**Notes:**
1. The performance criteria which apply to awards granted under the PSP scheme are set out on page 31.
2. Details of the Sharesave scheme, which has no performance conditions, are set out in note 27 on page 79.
3. Executive Directors do not receive awards under the DABS, but Graham Harding retained the benefit of awards made prior to his appointment as an executive Director on 27 October 2011. The DABS has been in operation since January 2005 and applies to Group senior managers below executive Director level. The maximum value of any award granted under the DABS to any participant is an amount which is equal to a fixed percentage of the participant's annual cash bonus received or receivable in respect of the previous financial year. The number of shares awarded is calculated by reference to the market value of a share in the Company on the date of the award. Shares awarded will vest three years from the date of grant of the award, with no additional performance conditions attached.
4. The market price at the time of grant of the PSP awards on 16 December 2013 and 16 July 2014 was 17.5p and 8.4p respectively.
5. Graham Harding left the Company on 30 November 2013. The Committee exercised its discretion to waive the requirement for Graham Harding to be in employment on the vesting date of the DABS Award, and allowed the DABS Award granted over 62,500 shares to vest as normal on 21 December 2013. The Committee further exercised its discretion to allow a portion of the PSP Award granted on 18 January 2012 to vest as normal on 18 January 2015 on a pro rata basis (subject to the relevant performance criteria being met), therefore 555,556 options lapsed on 30 September 2013. The remaining 1,444,444 options will lapse on 18 January 2015 since the relevant performance criteria have not been met.
6. Following the termination of Mark Wood's appointment as Chief Executive with effect from 1 April 2014, the Committee exercised its discretion to waive the requirement for Mark Wood to remain in employment on the vesting date of the PSP Awards granted to him during his appointment as Chief Executive and to allow a portion of the PSP Awards granted to him on 18 January 2012, 17 December 2012 and 16 December 2013 to vest as normal on 18 January 2015, 17 December 2015 and 16 December 2016 respectively on a pro rata basis (subject to the relevant performance criteria being met). Therefore, 935,675 options granted on 18 January 2012, 905,174 options granted on 17 December 2012 and 1,472,549 options granted on 16 December 2013 lapsed on 1 April 2014. The remaining 2,564,325 options granted on 18 January 2012 will lapse on 18 January 2015 since the relevant performance criteria have not been met. The remaining 678,159 options granted on 17 December 2012 and 156,022 options granted on 16 December 2013 will vest as normal three years from the date of grant, subject to performance criteria having been met.

## Graph: Past six financial years ended 30 September 2014

**Total Shareholder Return: Rebased to Future plc as of 1 October 2008**




## Chief Executive pay during last six years

| Year | Chief Executive single figure[6] £'000 | Bonus paid as % of maximum | Share based incentives vesting as % of maximum |
|---|---|---|---|
| 2009 (Stevie Spring) | £423 | 0% | 100%[1] |
| 2010 (Stevie Spring) | £746 | 40% | 48%[2] |
| 2011 (Stevie Spring) | £546 | 0% | 100%[3] |
| 2012 (Mark Wood) | £430 | 50% | 0%[4] |
| 2013 (Mark Wood) | £331 | 0% | 0%[4] |
| 2014 (Zillah Byng-Maddick) | £306 | 20% | 0%[5] |

**Notes:**
1. This represents shares which were granted as part of an exceptional one-off award intended to aid recruitment and retention. The award was not subject to performance criteria.
2. This represents the first tranche of a deferred bonus share award which was not subject to performance criteria and the PSP award granted in December 2006 which partially vested in December 2009 following the partial satisfaction of TSR performance criteria.
3. This represents the second tranche of a deferred bonus share award which was not subject to performance criteria. The PSP award granted in December 2007 lapsed in December 2010.
4. The first awards granted to Mark Wood under the PSP were granted in January 2012 and will lapse on 18 January 2015, since the relevent performance criteria have not been met.
5. The first awards granted to Zillah Byng-Maddick under the PSP were granted in December 2013 and will not vest until December 2016, subject to performance criteria being met.
6. The single figure for Zillah Byng-Maddick includes five months of her Chief Financial Officer salary and six months of her salary as Chief Executive.

## Percentage change in remuneration of Chief Executive

| | Salary | | | Benefits (inc pension) | | | Bonus | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | % change | 2014 | 2013 | % change | 2014 | 2013 | % change |
| **Chief Executive** | £285,000 | £285,000 | 0% | £46,000 | £46,000 | 0% | £62,750 | - | n/a |
| **All employees** | £35,878 | £35,418 | +1.3% | £2,980 | £3,454 | -13.7% | £80 | £144 | -44.4% |

# Directors' remuneration report

For the year ended
30 September 2014

## Relative importance of spend on pay

The relative importance of the spend on pay for the business is shown in the table below.

| | 2014 £m | 2013 £m |
|---|---|---|
| Group pay | **41.7** | 45.5 |
| Group operating costs excluding Group pay & exceptional costs | **52.2** | 62.1 |
| Capital expenditure | **2.6** | 2.9 |
| Dividends | **0.7** | - |

The table shows the actual expenditure of the Group, and change between the current and previous years, on remuneration paid to all employees compared to the total operating costs for the Group excluding exceptional costs and remuneration, and investment in capital expenditure and dividends.

## Shareholder voting

At the last Annual General Meeting, votes on the Directors' remuneration report for the year ended 30 September 2013 were cast as follows:

| | For | % | Discretionary | % | Against | % | Abstain |
|---|---|---|---|---|---|---|---|
| Approval of Directors' remuneration report for 2013 | 257,586,154 | 99.99 | 13,240 | 0.00 | 20,059 | 0.01 | 18,276,709 |

## Implementation of remuneration policy in the year to 30 September 2015

The Remuneration Committee does not propose to make any changes to the remuneration policy that was outlined in the Annual Report for the year ended 30 September 2013 and approved at the Company's Annual General Meeting on 3 February 2014, a copy of which is set out on pages 36 to 39. Since there are no changes to the remuneration policy, the Company does not intend to submit the Remuneration policy report to shareholders for approval at the Company's Annual General Meeting on 4 February 2015. However, the Committee intends to exercise its discretion to amend the performance targets relating to the PSP in consultation with its shareholders, as explained below.

| Element | Operation of element | Max. potential value | Performance, weighting & time |
|---|---|---|---|
| Base salary | No change | No change[1] | No change |
| Benefits | No change | No change | No change |
| Annual Bonus | No change | No change[2] | No change |
| PSP | No change | No change | The Committee intends to extend the life of the PSP which expires in January 2015 and, in consultation with major shareholders, to amend the performance targets. The Committee proposes retaining the same performance metrics and weighting (50% based on TSR performance, 50% based on EPS performance), but to amend the targets to ensure that they are more appropriate for the size and scale of the Group. |
| Pension | No change | No change | No change |

**Notes:**
1. Pay reviews take place annually and any increase for 2015 will take effect from 1 January. The Company increased salaries by 1.5% in January 2014, but held the salaries of executive Directors flat.
2. Performance targets for the Annual Bonus for 2015 are not disclosed due to their commercial sensitivity. In the event that there is an increase in the executive Directors' base salaries during the year, the potential maximum value of the Annual Bonus and pension shall increase accordingly.

## Advisers to the Remuneration Committee

PricewaterhouseCoopers was appointed during the year by the HR director, with the consent of the Committee, to advise the Committee in respect of various share incentive issues, including various changes to the PSP scheme, the tightening of headroom under the dilution limits and the implementation of a Share Incentive Plan for all UK employees in place of the Sharesave scheme.

## 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 voluntary compliance with the provisions of the Code is set out in the Corporate Governance report on pages 23 to 28.

# Remuneration policy report

## The policy set out below applies for all financial years beginning on or after 1 October 2013 to 30 September 2016, following shareholder approval at the Company's Annual General meeting on 3 February 2014.

The Committee considers the remuneration policy annually to ensure that it remains aligned with the Group's business needs and is appropriately positioned relative to the market. Since the Committee does not propose to make any changes to the policy that was approved by shareholders at the Company's Annual General meting on 3 February 2014, it does not intend to put the policy forward to shareholders for approval at the Company's Annual General Meeting to be held on 4 February 2015.

### Approach to recruitment remuneration for executive and non-executive Directors

The Committee's objective at the time of an appointment to a new role is to weight executive Directors' remuneration packages 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 its stated strategy.

Any new executive Director's remuneration package would include the same elements as those of the existing executive Directors, as shown in the next column.

| Element of remuneration | Maximum % of salary |
|---|---|
| Salary | Not higher than market value |
| Benefits | Dependent on circumstances |
| Pension | 12.5% of basic annual salary |
| Performance-related bonus[2] | 150% |
| Share incentive schemes[1] | 100% |

**Notes:**
1. PSP scheme rules provide for awards of up to 100% of basic annual salary, save in exceptional circumstances where the Committee is allowed discretion to award up to 200% of basic annual salary.
2. The Committee retains discretion to make one-off sign on payments or to grant awards under the share-based incentive scheme of up to 200% of basic annual salary to the extent that it is necessary to recruit a high calibre individual, or to compensate the individual for loss of bonus or other incentive awards granted by the previous employer.
3. In the event of an internal promotion, any commitments made by the Company to an internal candidate shall be honoured even if it would otherwise be inconsistent with the policy.

In determining the level and make-up of executive Directors' remuneration, the Committee 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. The Committee has given particular attention to ensuring that the remuneration packages of the key senior managers recruited during the year are aligned with those of the executive Directors.

(d) Bonus potential and share scheme awards that are capped at a percentage of salary are restricted if salaries are low.

(e) Subjective criteria are applied to an element of the performance-related bonus of the Chief Executive and Chief Financial Officer (with a financial underpin) in order to ensure that the Committee retains discretion and to ensure no performance-related bonus is unjustly received.

### Service contracts and payments for loss of office

**Executive Directors**

| Contract provision | Policy | Details |
|---|---|---|
| Notice periods | Director or Company shall be entitled to serve 6 months' notice. | A Director may be required to work during their notice period or be put on garden leave. |
| Compensation for loss of office | Director shall be entitled to receive 6 months' salary and benefits during any unexpired notice period. | While service agreements allow for monthly payments during notice period which are subject to mitigation, the Committee retains discretion to make payments in such manner as is deemed appropriate, particularly by reference to the circumstances of the loss of office. |
| Treatment of share incentives on termination | Incentives will lapse or vest at the Committee's discretion, subject to performance criteria being met and the rules of the scheme. | The Committee has discretion to allow awards to vest partially or in full on termination, or to preserve awards. |
| Change of control | In the event of a change of control, a Director may terminate their appointment on serving no less than 1 month's notice. | In the event of termination by either the Director or the Company, the Director will be entitled to receive 6 months' salary, in line with the contractual notice period. |
| **Non-executive Directors** | | |
| Notice periods | 3 months' notice from either Company or Director. | Appointed for a three year term, subject to annual re-election by shareholders at the Company's AGM. |

Copies of Directors' service agreements and letters of appointment are available for inspection on request at the Company's registered office.

# Directors' remuneration report

For the year ended
30 September 2014

## Remuneration table

### Executive Directors

| Element | Operation | Objective & link to strategy |
|---|---|---|
| **Basic annual salary** | Basic annual salary is paid in 12 equal monthly instalments during the year and is reviewed annually. When assessing the level of basic annual salary, the Committee takes into account performance, market conditions, remuneration of equivalent roles within comparable companies, the size and scale of the business and pay in the Group as a whole. | To recruit, retain and motivate individuals of high calibre, and reflect the skills, experience and contribution of the relevant Director. |
| **Benefits** | Current benefits available to executive Directors are car allowance, permanent health insurance, healthcare and life assurance. Additional benefits may be offered if applicable and subject to the maximum value of all benefits not exceeding the maximum potential value set by the Committee. | To ensure broad competitiveness with market practice. |
| **Pension** | The Company shall make a contribution up to a maximum percentage of basic annual salary (currently 12.5%). | To ensure broad competitiveness with market practice. |
| **Performance-related bonus**[1] | Targets are set annually by the Committee, based on (i) financial performance against budget and (ii) individual subjective performance targets which are determined for each executive Director. The Committee retains discretion to set the financial targets based on the performance during the previous financial year and the budget for the forthcoming year, and performance of the individual against their specific subjective performance targets. | Designed to reward delivery of shareholder value and implementation of the Group's strategy. |
| **Long term share-based incentive**[2] | Annual awards to executive Directors of up to a maximum of 1x basic annual salary, with discretion to award up to a maximum of 2x basic annual salary in exceptional circumstances, e.g. recruitment of a Director or to "buy out" awards granted by prior employer. The scheme rules allow the Committee discretion to change the performance targets and the Committee shall be entitled to exercise its discretion to change performance criteria to the extent that it reflects market practice and/or the Committee considers alternative performance targets to be more appropriate to the business. | Designed to reward delivery of shareholder value in the medium-to-long term. |

**Notes to the table**
1. Performance-related bonus targets: The performance targets are determined annually by the Committee and are designed to align executive Directors' interests with those of the Company's shareholders and to reward good performance by the Company. Financial targets are set by reference to the Company's budget for the relevant financial year, and individual performance targets are set by reference to the Company's strategy and goals for the relevant financial year. The targets for the financial year to 30 September 2015 are not disclosed here due to their commercial sensitivity.
2. PSP performance targets: additional details of the performance criteria attaching to PSP awards granted to date are set out on page 31.

### Non-executive Directors

| Element | Operation | Objective & link to strategy |
|---|---|---|
| **Fees**[1] | Non-executive Directors' fees are reviewed every three years and paid in 12 monthly instalments. Current fees were set in 2011. | Reflects the time commitment and responsibilities of the roles. |

**Notes to the table**
1. 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. Separately, the Board sets the fee payable to the Chairman of the Board. Additional fees for chairing a Committee apply only once, regardless of the number of Committees of which a non-executive Director is Chairman. Non-executive Directors are not included in any performance-related bonus, share incentive schemes or pension arrangements.

| Max. potential value | Performance measures | Changes for 2015 |
|---|---|---|
| Current basic annual salary of Chief Executive is £285,000 and Chief Financial Officer is £165,000. Salary increases shall generally reflect market conditions, performance of the individual, new challenges or a new strategic direction for the business. Similarly, the Committee may approve a higher basic annual salary for a newly appointed Director than the outgoing Director received where it considers it necessary in order to recruit an individual of sufficient calibre for the role. | Not applicable. | No change. |
| The Company shall continue to provide benefits to executive Directors at similar levels; where insurance cover is provided by the Company, that cover shall be maintained at a similar level and the Company shall pay the then current market rates for such cover. | Not applicable. | No change. |
| Total cost annually shall not exceed 15% of basic annual salary. | Not applicable. | No change. |
| Chief Executive: 120% of basic annual salary (of which 80% is linked to profit targets and 20% is linked to individual subjective criteria).<br>Chief Financial Officer: 80% of basic annual salary (of which 80% is linked to profit targets and 20% is linked to individual subjective criteria).<br>The Committee retains discretion to vary the potential total maximum bonus, the weighting of the variable elements and the stretch of the targets in order to incentivise or recruit executive Directors, provided that the total maximum potential bonus for any one year shall not exceed 150% of basic annual salary and that maximum bonus shall only be payable for over performance. | **Profit element:**<br>If EBITDAE is more than 15% below target EBITDAE, no profit-related bonus will be payable.<br>If EBITDAE is 15% below target EBITDAE 10% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.<br>If EBITDAE is 10% below target EBITDAE, 20% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.<br>If EBITDAE is 5% below target EBITDAE, 30% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.<br>If EBITDAE target is achieved, 50% of the potential maximum of the profit-related bonus will be payable.<br>If EBITDAE target is exceeded by 5%, 65% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.<br>If EBITDAE target is exceeded by 10%, 85% of the potential maximum of the profit-related bonus will be payable in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.<br>If EBITDAE target is exceeded by 15% or more, 100% of the potential maximum of the profit-related bonus will be payable.<br>If EBITDAE falls in between any of the above levels, a percentage of the potential maximum profit-related bonus will be payable, on a pro rata basis to the levels expressed above, in the event that the Committee determines, in its absolute discretion, that such payment is merited by the individual.<br>**Subjective element:**<br>Up to 20% of maximum potential bonus is determined by subjective criteria. | No change to the policy, however the Committee has increased the maximum potential bonus for the Chief Executive to 120% of basic annual salary, and amended the financial performance targets from EBITE to EBITDAE. |
| Value of grant as a maximum percentage of salary is 100% of basic annual salary, however in exceptional circumstances the Committee retains discretion to grant awards of a value up to 200% of basic annual salary. | Awards vest at the end of three-year performance period. 50% of award vests based on EPS performance and 50% vests based on TSR performance.<br>**EPS:** The Committee has chosen to exercise its discretion to amend the EPS targets, in consultation with shareholders.<br>**TSR:** The Committee has chosen to exercise its discretion to amend the TSR targets in consultation with shareholders.<br>The Committee retains the discretion to set such performance criteria as are deemed appropriate to the Company at the time an award is made. | No change to the policy. However, the Committee has chosen to exercise the discretion that it has within the policy to amend the EPS and TSR performance targets in consultation with the Company's major shareholders. |

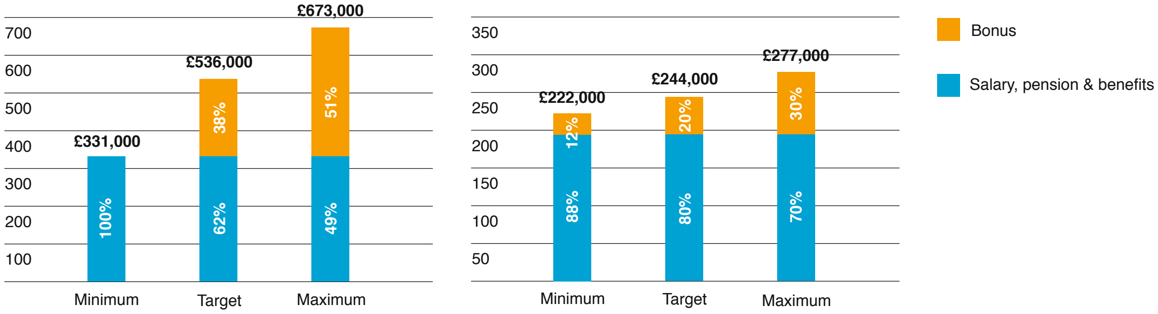
3. All employees of the Group receive a basic annual salary, benefits, pension and annual bonus (subject to financial performance). The maximum value of remuneration packages is based on the seniority and responsibilities of the relevant role. Discretionary share incentives are not awarded to employees other than executive Directors and senior managers, however an approved Sharesave scheme has been in operation for all permanent UK employees for a number of years, which the Committee intends to replace with a Share Incentive Plan in order to encourage active employee share ownership.

| Max. potential value | Performance measures | Changes for 2015 |
|---|---|---|
| Chairman: £120,000<br>Other non-executive Directors: £40,000<br>Additional fees payable:<br>Chairman of Committee: £5,000<br>Senior independent Director: £5,000<br>Member of Committee: Nil | Not applicable. | No change to fees for 2015 compared to 2014 except that Manjit Wolstenholme's fee has been increased to £50,000. |

# Directors' remuneration report

For the year ended
30 September 2014

## Total remuneration scenarios




**Notes:**
1. Richard Haley was appointed to the Board as Chief Financial Officer with effect from 1 October 2014.
2. Annual salary is based on basic salary for the financial year ending 30 September 2015.
3. The value of pension is determined as a percentage of salary, based on salary for 2015. The value of benefits in kind is calculated on the basis of the value for 2014.
4. On-target performance would deliver 60% of the maximum annual bonus for the Chief Executive and the Chief Financial Officer, assuming that individual performance targets are met and the maximum individual performance-related element of the bonus is awarded by the Committee. Maximum performance would result in the maximum annual bonus payment of 120% of basic annual salary for the Chief Executive and 50% of basic annual salary for the Chief Financial Officer. As an incentive to aid recruitment of Richard Haley, the Committee exceptionally guaranteed one third of the potential maximum bonus in respect of the year ending 30 September 2015 only.
5. No share options or other share incentives are due to vest in the financial year ending 30 September 2015.

## Consideration of employee conditions within the Group

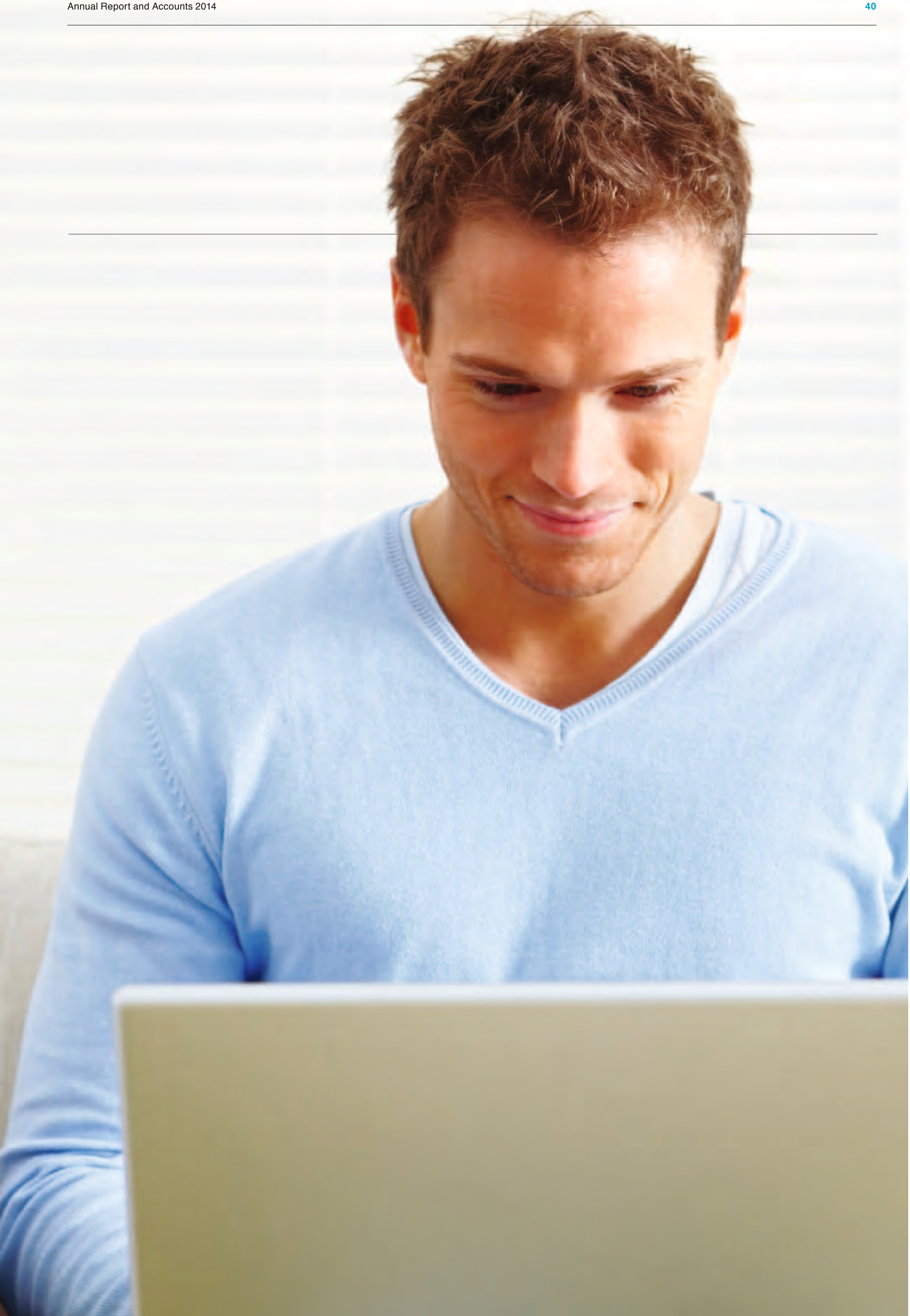
The Committee takes into consideration the pay and conditions of employees across the Group when determining remuneration for executive Directors.

All employees receive a basic annual salary, benefits and an entitlement to receive a bonus, subject to financial performance, under the Group's profit improvement scheme.

Discretionary share incentive awards are granted to certain senior managers under the DABS scheme, the details of which are set out at note 27 on page 80. Annual invitations have been issued to all permanent UK employees to participate in the Company's Sharesave scheme for a number of years, however the Committee intends to replace the Sharesave scheme with a Share Incentive Plan in order to encourage active employee share ownership.

## Consideration of shareholder views

The remuneration policy remains largely unchanged from previous years, although the Company has started consultation with shareholders in relation to changes to the PSP scheme, including amendments to the performance targets.



# Independent auditors' report to the members of Future plc

## Report on the financial statements

### Our opinion

**In our opinion:**

- Future plc's Group financial statements and Parent company financial statements (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 2014 and of the Group's loss and the Group's and the Parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("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.

### Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Accounting policies concerning the Group's ability to continue as a going concern. The continued availability of the loan funding is reliant on the Group's compliance with quarterly covenant obligations. Although the cash flow projections prepared by the Directors indicate that the Group expects to be able to meet its covenant obligations at each measurement date, there is a risk that, if actual profits or cash flows differ from those forecast, and the Group was unable to renegotiate the covenants, the lenders would have the right to demand immediate repayment of all amounts due to them. These conditions, along with the other matters explained in the Accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

### What we have audited

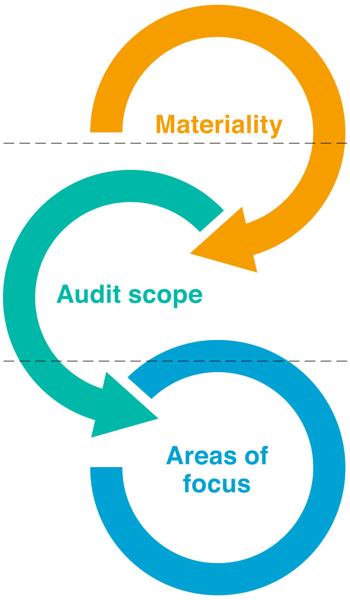
Future plc's financial statements comprise:

- the Consolidated and Company balance sheets as at 30 September 2014;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statements of cash flows for the year then ended and the notes thereto;
- the Consolidated and Company statements of changes in equity for the year then ended;
- the Accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and 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.

### Our audit approach

**Overview**




- Overall Group materiality: £0.4m which represents 0.5% of the revenue from both continuing and discontinued operations.

- The audit team based in the UK performed a full scope audit on the operations of the UK and US businesses which together form the significant part of the financial statements.

- Going concern.
- Revenue recognition in newsstand sales.
- Carrying value of goodwill and long lived assets.
- Presentation of divestments and exceptional items.
- Provision for liabilities in respect of open tax positions.

**The scope of our audit and our areas of focus**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the Directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table opposite, together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks identified by our audit.

| Area of focus | How our audit addressed the area of focus |
|---|---|
| **Going concern**<br><br>As at 30 September 2014 the Group was in a net cash position of £7.5m.<br><br>The Group entered into a revised 18 month financing facility in June 2014, which has a number of financial covenants that it needs to meet at predetermined reporting dates each quarter. The facility is due to expire on 31 December 2015.<br><br>The Directors have indicated in their Accounting policies (page 52) that there is minimal headroom on two of the covenants (interest cover and cash flow cover) at various measurement points.<br><br>If the Group breaches its covenants, the lender is entitled to demand immediate repayment of the outstanding loan in full. | We obtained the Directors' cash flow forecasts for the next 12 months from the date the financial statements were signed.<br><br>We assessed the forecast financial performance for this period, challenging the key assumptions in respect of the rate of print revenue decline and digital revenue growth, alongside assumptions in respect of direct and administrative costs.<br><br>We obtained the forecast covenant position at the quarterly reporting dates and performed sensitivity analysis to determine the impact that changes to these key revenue assumptions would have on the level of headroom on covenant compliance and the Group's liquidity position.<br><br>Our opinion includes an emphasis of matter drawing attention to disclosures in the financial statements regarding going concern. |
| **Revenue recognition in newsstand sales**<br><br>We focused on this area because (as noted in the Critical accounting assumptions, judgements and estimates section on page 55), of the significant level of judgement in the calculation of the returns provision, which directly affects the recognition of newsstand sales.<br><br>The judgement arises from magazine newsstand circulation revenue being recognised from the date the publication first goes on sale, with the level of sales returns being estimated, until the publication is withdrawn from sale, which can be several months later. | We identified and assessed the key assumptions and judgements made by management in their calculation of the returns provisions on newsstand sales by obtaining post year-end sales returns data from distributors and stores and considering whether it was consistent with the estimates made.<br><br>Where such data was not available we analysed the magazine sales efficiencies used by management against historical data. |
| **Carrying value of goodwill and long lived assets**<br><br>Following the £26m impairment of goodwill in the US and UK businesses recognised in the half-year results (31 March 2014), we focused our audit effort on both the impairment exercise that the Directors performed at the half-year to determine the amount of the write-off and the exercise that they carried out at the year-end to determine whether any further impairment charge for goodwill was necessary. Both impairment exercises required the Directors to make significant judgements about the future results of the business.<br><br>The carrying value of goodwill attributed to the UK and US businesses at 30 September 2014 was £40.9m and nil respectively.<br><br>In addition, the Parent company holds a significant investment in subsidiaries, which, also requires assessing for impairment. | We evaluated the Directors' future cash flow forecasts, including comparing them to the latest Board approved budgets. We assessed the reasonableness of future revenues and costs by comparing them to recent historical trends and our understanding of the market.<br><br>We considered the Directors' key assumptions for long term growth rates by comparing to external market data and checking they did not exceed the current IMF inflation forecast, and the discount rate by assessing the cost of capital for the Company and comparable organisations.<br><br>We performed sensitivity analysis to determine how sensitive forecast cash flows are to both growth forecasts (in respect of the rate of print revenue decline and digital revenue growth) and the discount rates, having assessed reasonable possible scenarios based on historic trends in the business and the market, to determine whether any further impairments are necessary.<br><br>In respect of the Parent company investment, we additionally checked that the valuation was based on the same assumptions as the goodwill assessment and considered the impact of any intercompany balances. |
| **Presentation of divestments and exceptional items**<br><br>The Directors identified the large scale transformation project undertaken during the year, along with other one-off costs as being significant one-off expenditure and presented the related costs as exceptional in the Consolidated income statement.<br><br>In addition, in the year there were several significant disposals of operations; accounting standards require the results of these operations to be presented as 'discontinued' in the Consolidated income statement.<br><br>We focused on this area because if items of income or expenditure were misallocated, it could have a significant impact on the presentation of the Group Consolidated income statement and on the Group's underlying performance. | We assessed whether the presentation of exceptional expenditure was in line with the Group's accounting policy. We agreed expenses (both exceptional and non-exceptional) to invoices to check that they had been correctly allocated.<br><br>We considered whether the divestments met the criteria set out in IFRS 5 for disclosure as discontinued operations.<br><br>We agreed the sales proceeds for the divested businesses to the sale agreements and cash receipts and checked that revenue and costs of disposed operations were appropriately disclosed. Where costs were allocated (i.e. goodwill) we assessed the judgements taken. |
| **Provision for liabilities in respect of open tax positions**<br><br>As noted in the Critical accounting assumptions, judgements and estimates section on page 55, estimates are made with respect to the tax position for prior fiscal years not yet agreed with tax authorities.<br><br>We focused on this area because there are historical open tax positions that are both material to the financial statements and require judgement in assessing the appropriate accounting treatment for this year. | We read the latest correspondence between the Group and the relevant tax authorities and considered the implications that it might have on the provision.<br><br>We discussed the potential tax exposure with senior Group management, including the Group's in-house tax specialists.<br><br>We also assessed the tax impacts and judgements surrounding the divestments.<br><br>We utilised our experience of similar challenges elsewhere to independently assess the evidence described above. |

# Independent auditors' report

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group reports its results for its two geographical segments, being the UK (incorporating the Australian results) and the US. The Group financial statements are a consolidation of these three business operations and the Group's centralised functions. In establishing the overall approach to the Group audit, we determined that the work was to be performed by UK based teams, with full scope audits conducted at the two largest business operations (UK and US) and the Group centralised function. Further procedures were performed over the remaining business units and consolidation so as to provide sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

## Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

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

| | |
|---|---|
| **Overall Group materiality** | £0.4m (2013: £0.6m). |
| **How we determined it** | 0.5% of Revenue, attributable to both continuing and discontinued operations. |
| **Rationale for benchmark applied** | We believe this is the most relevant measure of underlying performance given the nature of the Group's operations and the volatility of its results. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £22,000 (2013: £28,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

# Other required reporting

## Consistency of other information

**Companies Act 2006 opinion**

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

**ISAs (UK & Ireland) reporting**

The Directors have chosen to voluntarily comply with the UK Corporate Governance Code ("the Code") as if the Parent company were a premium listed company. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

| | |
|---|---|
| • Information in the Annual Report is:<br>– materially inconsistent with the information in the audited financial statements; or<br>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent company acquired in the course of performing our audit; or<br>– otherwise misleading. | We have no exceptions to report arising from this responsibility. |
| • the statement given by the Directors on page 22, in accordance with provision C.1.1 of the Code, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Parent company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent company acquired in the course of performing our audit. | We have no exceptions to report arising from this responsibility. |
| • the section of the Annual Report on page 26, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report arising from this responsibility. |

### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept 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.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

**Directors' remuneration report - Companies Act 2006 opinion**

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Other Companies Act 2006 reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibility Statement set out on page 22, 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 ISAs (UK & 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.

### What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
11 December 2014

# Financial statements

## Contents

## Consolidated income statement

for the year ended 30 September 2014

| | Note | 2014 £m | 2013 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 1, 2 | **66.0** | 82.6 |
| **Operating loss before exceptional items and impairment of intangible assets** | 1 | **(10.3)** | (3.4) |
| Exceptional items | 5 | **(7.5)** | 2.6 |
| Impairment of intangible assets | 3 | **(16.8)** | - |
| **Operating loss** | 3 | **(34.6)** | (0.8) |
| Finance income | 7 | **0.2** | 0.8 |
| Finance costs | 7 | **(1.0)** | (2.2) |
| **Net finance costs** | 7 | **(0.8)** | (1.4) |
| **Loss before tax** | 1 | **(35.4)** | (2.2) |
| Tax on loss | 8 | **0.5** | (0.1) |
| **Loss for the year from continuing operations** | | **(34.9)** | (2.3) |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | 11 | **1.0** | 6.6 |
| **(Loss)/profit for the year attributable to owners of the parent** | | **(33.9)** | 4.3 |

**Earnings per 1p Ordinary share**

| | Note | 2014 pence | 2013 pence |
|---|---|---|---|
| Basic (loss)/earnings per share – Total Group | 10 | **(10.2)** | 1.3 |
| Diluted (loss)/earnings per share – Total Group | 10 | **(10.2)** | 1.3 |
| Basic loss per share – Continuing operations | 10 | **(10.5)** | (0.7) |
| Diluted loss per share – Continuing operations | 10 | **(10.5)** | (0.7) |

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

## Consolidated statement of comprehensive income

for the year ended 30 September 2014

| | Note | 2014 £m | 2013 £m |
|---|---|---|---|
| **(Loss)/profit for the year** | | **(33.9)** | 4.3 |
| **Items that may be reclassified to the consolidated income statement** | | | |
| **Continuing operations** | | | |
| Currency translation differences | | **(0.1)** | - |
| Net fair value (losses)/gains on cash flow hedges | 28 | **(0.2)** | 0.2 |
| **Other comprehensive (loss)/income for the year from continuing operations** | | **(0.3)** | 0.2 |
| **Total comprehensive loss for the year attributable to continuing operations** | | **(35.2)** | (2.1) |
| **Total comprehensive income for the year attributable to discontinued operations** | | **1.0** | 6.6 |
| **Total comprehensive (loss)/income for the year attributable to owners of the parent** | | **(34.2)** | 4.5 |

Items in the statement above are disclosed net of tax.

# Financial statements

## Consolidated statement of changes in equity

for the year ended 30 September 2014

| 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 2012** | | 3.3 | 24.8 | 109.0 | (0.3) | - | (74.2) | 62.6 |
| **Profit for the year** | | - | - | - | - | - | 4.3 | 4.3 |
| Cash flow hedges | 28 | - | - | - | - | 0.2 | - | 0.2 |
| **Other comprehensive income for the year** | | - | - | - | - | 0.2 | - | 0.2 |
| **Total comprehensive income for the year** | | - | - | - | - | 0.2 | 4.3 | 4.5 |
| Share schemes | | | | | | | | |
| - Value of employees' services | 6 | - | - | - | - | - | 0.3 | 0.3 |
| **Balance at 30 September 2013** | | 3.3 | 24.8 | 109.0 | (0.3) | 0.2 | (69.6) | 67.4 |
| **Loss for the year** | | - | - | - | - | - | (33.9) | (33.9) |
| Currency translation differences | | - | - | - | - | - | (0.1) | (0.1) |
| Cash flow hedges | 28 | - | - | - | - | (0.2) | - | (0.2) |
| **Other comprehensive loss for the year** | | - | - | - | - | (0.2) | (0.1) | (0.3) |
| **Total comprehensive loss for the year** | | - | - | - | - | (0.2) | (34.0) | (34.2) |
| Final dividend relating to 2013 | 9 | - | - | - | - | - | (0.7) | (0.7) |
| Share schemes | | | | | | | | |
| - Value of employees' services | 6 | - | - | - | - | - | 0.1 | 0.1 |
| **Balance at 30 September 2014** | | **3.3** | **24.8** | **109.0** | **(0.3)** | **-** | **(104.2)** | **32.6** |

## Company statement of changes in equity

for the year ended 30 September 2014

| Company | Note | Issued share capital £m | Share premium account £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance at 1 October 2012** | | 3.3 | 24.8 | 39.9 | 68.0 |
| **Profit for the year** | | - | - | - | - |
| **Other comprehensive income for the year** | | - | - | - | - |
| **Total comprehensive income for the year** | | - | - | - | - |
| Share schemes | | | | | |
| - Value of employees' services | 6 | - | - | 0.3 | 0.3 |
| **Balance at 30 September 2013** | | 3.3 | 24.8 | 40.2 | 68.3 |
| **Loss for the year** | | - | - | (28.9) | (28.9) |
| **Other comprehensive income for the year** | | - | - | - | - |
| **Total comprehensive loss for the year** | | - | - | (28.9) | (28.9) |
| Final dividend relating to 2013 | 9 | - | - | (0.7) | (0.7) |
| Share schemes | | | | | |
| - Value of employees' services | 6 | - | - | 0.1 | 0.1 |
| **Balance at 30 September 2014** | | **3.3** | **24.8** | **10.7** | **38.8** |

## Consolidated balance sheet

as at 30 September 2014

| | Note | 2014 £m | 2013 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **1.0** | 2.5 |
| Intangible assets - goodwill | 13 | **40.9** | 86.3 |
| Intangible assets - other | 13 | **3.5** | 3.5 |
| Deferred tax | 15 | **0.5** | 0.4 |
| **Total non-current assets** | | **45.9** | 92.7 |
| **Current assets** | | | |
| Inventories | 16 | **0.6** | 1.9 |
| Financial assets - derivatives | 22 | **-** | 0.4 |
| Corporation tax recoverable | | **1.2** | - |
| Trade and other receivables | 17 | **12.8** | 21.4 |
| Cash and cash equivalents | 18 | **7.5** | 4.6 |
| Non-current assets classified as held for sale | 19 | **0.8** | - |
| **Total current assets** | | **22.9** | 28.3 |
| **Total assets** | | **68.8** | 121.0 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Issued share capital | 26 | **3.3** | 3.3 |
| Share premium account | | **24.8** | 24.8 |
| Merger reserve | 28 | **109.0** | 109.0 |
| Treasury reserve | 28 | **(0.3)** | (0.3) |
| Cash flow hedge reserve | 28 | **-** | 0.2 |
| Accumulated losses | | **(104.2)** | (69.6) |
| **Total equity** | | **32.6** | 67.4 |
| **Non-current liabilities** | | | |
| Corporation tax payable | 8 | **4.4** | 5.2 |
| Deferred tax | 15 | **0.7** | 1.2 |
| Provisions | 23 | **2.8** | 1.5 |
| Other non-current liabilities | 24 | **1.2** | 1.5 |
| **Total non-current liabilities** | | **9.1** | 9.4 |
| **Current liabilities** | | | |
| Financial liabilities - interest-bearing loans and borrowings | 21 | **-** | 11.5 |
| Financial liabilities - derivatives | 22 | **-** | 0.2 |
| Trade and other payables | 20 | **25.9** | 31.6 |
| Corporation tax payable | 8 | **1.2** | 0.9 |
| **Total current liabilities** | | **27.1** | 44.2 |
| **Total liabilities** | | **36.2** | 53.6 |
| **Total equity and liabilities** | | **68.8** | 121.0 |

The financial statements on pages 45 to 81 were approved by the Board of Directors on 11 December 2014 and signed on its behalf by:

**Peter Allen**
Chairman

**Richard Haley**
Chief Financial Officer

# Financial statements

## Company balance sheet

as at 30 September 2014

| | Note | 2014 £m | 2013 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment in Group undertakings | 14 | **131.9** | 159.1 |
| Deferred tax | 15 | **-** | 0.1 |
| **Total non-current assets** | | **131.9** | 159.2 |
| **Current assets** | | | |
| Trade and other receivables | 17 | **44.0** | 43.3 |
| **Total current assets** | | **44.0** | 43.3 |
| **Total assets** | | **175.9** | 202.5 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Issued share capital | 26 | **3.3** | 3.3 |
| Share premium account | | **24.8** | 24.8 |
| Retained earnings | | **10.7** | 40.2 |
| **Total equity** | | **38.8** | 68.3 |
| **Non-current liabilities** | | | |
| Corporation tax payable | 8 | **4.4** | 5.2 |
| **Total non-current liabilities** | | **4.4** | 5.2 |
| **Current liabilities** | | | |
| Financial liabilities - interest-bearing loans and borrowings | 21 | **-** | 6.6 |
| Financial liabilities - non-interest-bearing overdraft | 21 | **8.6** | 7.5 |
| Financial liabilities - derivatives | 22 | **-** | 0.2 |
| Trade and other payables | 20 | **123.2** | 113.8 |
| Corporation tax payable | 8 | **0.9** | 0.9 |
| **Total current liabilities** | | **132.7** | 129.0 |
| **Total liabilities** | | **137.1** | 134.2 |
| **Total equity and liabilities** | | **175.9** | 202.5 |

The financial statements on pages 45 to 81 were approved by the Board of Directors on 11 December 2014 and signed on its behalf by:

**Peter Allen**
Chairman

**Richard Haley**
Chief Financial Officer

Future plc
Company registration number: 3757874

## Consolidated and Company cash flow statements

for the year ended 30 September 2014

| | **Group 2014 £m** | **Company 2014 £m** | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash (used in)/generated from operations | **(0.3)** | **(1.6)** | 4.3 | (1.7) |
| Interest paid | **(1.0)** | **(0.8)** | (1.2) | (1.0) |
| Tax paid | **(1.5)** | **(0.7)** | (1.8) | (0.1) |
| **Net cash (used in)/generated from operating activities** | **(2.8)** | **(3.1)** | 1.3 | (2.8) |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | **(0.4)** | **-** | (0.6) | - |
| Purchase of computer software and website development | **(2.2)** | **-** | (2.3) | - |
| Purchase of share in associate | **(0.2)** | **-** | - | - |
| Disposal of magazine titles and trademarks | **22.3** | **-** | 10.3 | - |
| Costs of business disposals | **(1.0)** | **-** | (1.1) | - |
| Net movement in amounts owed to/by subsidiaries | **-** | **10.2** | - | 21.7 |
| **Net cash generated from investing activities** | **18.5** | **10.2** | 6.3 | 21.7 |
| **Cash flows from financing activities** | | | | |
| Draw down of bank loans | **3.8** | **2.0** | 26.0 | 19.0 |
| Repayment of bank loans | **(15.6)** | **(9.0)** | (36.7) | (32.9) |
| Bank arrangement fees | **(0.5)** | **(0.5)** | (0.6) | (0.6) |
| Repayment of finance leases | **-** | **-** | (0.1) | - |
| Equity dividends paid | **(0.7)** | **(0.7)** | - | - |
| **Net cash used in financing activities** | **(13.0)** | **(8.2)** | (11.4) | (14.5) |
| **Net increase/(decrease) in cash and cash equivalents** | **2.7** | **(1.1)** | (3.8) | 4.4 |
| Cash and cash equivalents at beginning of year | **4.6** | **(7.5)** | 8.5 | (11.9) |
| Exchange adjustments | **0.2** | **-** | (0.1) | - |
| **Cash and cash equivalents at end of year** | **7.5** | **(8.6)** | 4.6 | (7.5) |
| Amount attributable to continuing operations | **7.5** | **(8.6)** | 4.6 | (7.5) |

# Financial statements

## Notes to the Consolidated and Company cash flow statements

for the year ended 30 September 2014

### A. Cash (used in)/generated from operations

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

| | Group 2014 £m | Company 2014 £m | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| (Loss)/profit for the year – Continuing operations | **(34.9)** | **(28.9)** | (2.3) | - |
| – Discontinued operations | **1.0** | **-** | 6.6 | - |
| (Loss)/profit for the year – Total Group | **(33.9)** | **(28.9)** | 4.3 | - |
| Adjustments for: | | | | |
| Depreciation charge | **1.0** | **-** | 0.9 | - |
| Amortisation of intangible assets | **2.3** | **-** | 2.0 | - |
| Impairment of intangible assets | **26.0** | **-** | - | - |
| Profit on disposal of magazine titles and trademarks | **(3.5)** | **-** | (2.7) | - |
| Share schemes | | | | |
| - Value of employees' services | **0.1** | **-** | 0.3 | - |
| Impairment of investment in Group undertakings | **-** | **27.3** | - | 0.3 |
| Provision against amount due from Group undertaking | **-** | **0.2** | - | - |
| Dividend receivable from Group undertakings | **-** | **-** | - | (1.5) |
| Net finance costs | **0.8** | **0.6** | 1.4 | 1.1 |
| Tax (credit)/charge | **(0.8)** | **(0.8)** | 1.5 | (1.3) |
| **(Loss)/profit before changes in working capital and provisions** | **(8.0)** | **(1.6)** | 7.7 | (1.4) |
| Movement in provisions | **1.3** | **-** | (2.7) | (0.3) |
| Decrease in inventories | **1.0** | **-** | 0.1 | - |
| Decrease/(increase) in trade and other receivables | **9.6** | **-** | (1.6) | - |
| (Decrease)/increase in trade and other payables | **(4.2)** | **-** | 0.8 | - |
| **Cash (used in)/generated from operations** | **(0.3)** | **(1.6)** | 4.3 | (1.7) |

### B. Analysis of net (debt)/cash

| Group | 1 October 2013 £m | Cash flows £m | Other non-cash changes £m | Exchange movements £m | 30 September 2014 £m |
|---|---|---|---|---|---|
| Cash and cash equivalents | 4.6 | 2.7 | - | 0.2 | **7.5** |
| Debt due within one year | (11.5) | 11.8 | (0.4) | 0.1 | **-** |
| **Net (debt)/cash** | **(6.9)** | **14.5** | **(0.4)** | **0.3** | **7.5** |

| Company | 1 October 2013 £m | Cash flows £m | Other non-cash changes £m | 30 September 2014 £m |
|---|---|---|---|---|
| Cash and cash equivalents | (7.5) | (1.1) | - | **(8.6)** |
| Debt due within one year | (6.6) | 7.0 | (0.4) | **-** |
| **Net debt** | **(14.1)** | **5.9** | **(0.4)** | **(8.6)** |

### C. Reconciliation of movement in net (debt)/cash

| | Group 2014 £m | Company 2014 £m | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| Net debt at start of year | **(6.9)** | **(14.1)** | (14.1) | (32.5) |
| Increase/(decrease) in cash and cash equivalents | **2.7** | **(1.1)** | (3.8) | 4.4 |
| Movement in borrowings | **11.8** | **7.0** | 10.8 | 13.9 |
| Other non-cash changes | **(0.4)** | **(0.4)** | 0.1 | 0.1 |
| Exchange movements | **0.3** | **-** | 0.1 | - |
| **Net cash/(debt) at end of year** | **7.5** | **(8.6)** | (6.9) | (14.1) |

# Accounting policies

## Basis of preparation

These 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 2014 Annual Report are set out on pages 52 to 55. 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 2014, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

### Going concern

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

As at 30 September 2014, the Group was in a net cash position of £7.5m (cash £7.5m and bank debt £nil).

The Group meets its day-to-day working capital requirements through cash management and an amended and restated 18-month bank facility that was signed in June 2014. The facility includes certain financial covenant tests which are measured quarterly.

The Group was fully in compliance with the financial covenants at 30 September 2014.

The Directors have prepared detailed projections of expected future cash flows for the period to the end of the facility. These forecasts show that the Group is expected to remain within these covenants at each test date until the end of the facility term (31 December 2015). However, there is minimal headroom on two of the covenants (interest cover and cash flow cover) at certain covenant measurement points. The Directors are confident about the forecast performance of the Group and do not expect the underlying trends in print circulation and print advertising to change materially. However, they consider that there is some uncertainty about the rate of decline in print and the ability to grow Digital and Diversified revenues and there is therefore a risk that trading performance will be below expectation leading to a covenant breach.

In reaching their decision that the financial statements should be prepared on the going concern basis, the Directors have considered the following factors:

- The liquidity headroom which is expected to be available at all times, even under sensitised projections;
- The accuracy of key assumptions and the achievement of key cash flows;
- The continuation and adequacy of bank facilities; and
- The risk of covenant breaches, and in the event of a covenant breach the expectation that revised covenants would be agreed with the lenders.

There are a number of upside mitigating actions that the Group could implement comfortably, and a number of upside events that may occur but are outside of the Group's control, which may avoid the need to seek amendments to the covenants.

If the Group were unable to agree amendments to the covenants such that undertakings to the Group's lenders were breached, then the lenders would have the right to demand immediate repayment of all amounts due to them. This eventuality would, if it arose, cast doubt on the future funding of the Group and hence represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

After due consideration, the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

### Discontinued operations and non-current assets held for sale

During the year the Sport, Craft and Auto portfolios were disposed of. In accordance with IFRS 5 the results of these operations are presented as discontinued operations in the Consolidated income statement (for which the comparatives have been reclassified). See note 11 for further details.

Where the Group expects to recover the carrying amount of a group of assets through a sale transaction rather than through continuing use, the assets are available for immediate sale in their present condition, management is committed to the sale and a sale is highly probable at the balance sheet date, the assets are classified as held for sale.

After classification as held for sale, the assets are measured at the lower of the carrying amount and fair value less costs to sell.

An impairment loss is recognised in the income statement for any write-down of the assets to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in the income statement to the extent that it does not exceed the cumulative impairment loss previously recognised. No depreciation or amortisation is charged in respect of non-current assets classified as held for sale.

If the group of assets constitutes a separate major line of business it is classified as a discontinued operation.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of Future plc (the Company) and its subsidiary undertakings. 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. 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

# Financial statements

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 Makers who are considered to be the executive Directors 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.
- Revenue from the sale of digital magazine subscriptions is recognised uniformly over the term of the subscription.
- 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, with exchange differences arising on trading transactions being reported in operating profit, and with those arising on financing transactions reported in net finance costs unless, as a result of cash flow hedging, they are reported in other comprehensive income.

**(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.

## 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.

The grant by the Company of share awards to the employees of subsidiary undertakings is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company's financial statements.

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 financial statements. 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 either as property, plant and equipment or intangible assets 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. Management periodically evaluates items detailed in tax returns where the tax treatment is subject to interpretation. 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

All dividend distributions to the Company's shareholders are recognised as a liability in the financial statements 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. 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:

- Land and buildings – 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.

## Intangible assets

**(a) Goodwill**
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.

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, customer lists, 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 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 profit 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 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 group 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 2.0% growth rate to perpetuity; and
- the cash flows obtained are discounted using appropriate rates for the business and the territories concerned.

If goodwill has been allocated to a CGU and an operation within that CGU is disposed, the goodwill associated with that operation is included in the carrying amount of the operation in determining the profit or loss on disposal. The goodwill allocated to the disposal is measured on the basis of the relative profitability of the operation disposed and the operations retained.

# Financial statements

## 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 goods, 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.

A provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the receivables.

## Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts for the purpose of the cash flow statement. 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. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance.

## Critical accounting assumptions, judgements and estimates

The preparation of the financial statements 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) Carrying value of goodwill and other intangibles**
The Group uses forecast cash flow information and estimates of future growth to assess whether goodwill and other intangible 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 and other tax authorities.

**(c) Revenue recognition**
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 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.

## New or revised accounting standards and interpretations

There has been no material impact from the adoption of the following new or revised standards or interpretations which are relevant to the Group:

- IFRS 10 Consolidated Financial Statements.
- IFRS 12 Disclosures of Interests in other entities.
- IFRS 13 Fair Value Measurement.
- IAS 27 (revised) Separate financial statements.
- IAS 28 (revised) Associates and joint ventures.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 October 2014 or later periods but which the Group has chosen not to adopt early. These include the following standards which are relevant to the Group:

- Annual improvements to IFRSs 2011-2013 Cycle.

The Group does not expect that these standards and interpretations, issued but not yet effective, will have a material impact on results or net assets.

# Notes to the financial statements

## 1. Segmental reporting

The Group is organised and arranged primarily by reportable segment. The executive Directors consider 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 reported separately due to its size.

**(a) Reportable segment**
**(i) Segment revenue**

| | 2014 £m | 2013 £m |
|---|---|---|
| UK | **53.1** | 63.3 |
| US | **13.7** | 20.0 |
| Revenue between segments | **(0.8)** | (0.7) |
| **Total continuing operations** | **66.0** | 82.6 |

Transactions between segments are carried out at arm's length.

**(ii) Segment EBITE**

| | 2014 £m | 2013 £m |
|---|---|---|
| UK | **(7.8)** | (1.4) |
| US | **(2.5)** | (2.0) |
| **Total segment EBITE from continuing operations** | **(10.3)** | (3.4) |

EBITE is used by the executive Directors to assess the performance of each segment.

A reconciliation of total segment EBITE from continuing operations to loss before tax from continuing operations is provided as follows:

| | 2014 £m | 2013 £m |
|---|---|---|
| **Total segment EBITE from continuing operations** | **(10.3)** | (3.4) |
| Exceptional items | **(7.5)** | 2.6 |
| Impairment of intangible assets | **(16.8)** | - |
| Net finance costs | **(0.8)** | (1.4) |
| **Loss before tax from continuing operations** | **(35.4)** | (2.2) |

**(iii) Segment assets and liabilities**

| | Segment assets | | Segment liabilities | | Segment net assets/(liabilities) | |
|---|---|---|---|---|---|---|
| | 2014 £m | 2013 £m | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| UK | **63.3** | 76.7 | **(31.9)** | (34.9) | **31.4** | 41.8 |
| US | **5.5** | 10.1 | **(4.3)** | (11.1) | **1.2** | (1.0) |
| Discontinued operations | **-** | 34.2 | **-** | (7.6) | **-** | 26.6 |
| **Total** | **68.8** | 121.0 | **(36.2)** | (53.6) | **32.6** | 67.4 |

**(iv) Other segment information**

| | Capital expenditure | | Depreciation and amortisation | | Impairment charges | | Exceptional items | |
|---|---|---|---|---|---|---|---|---|
| | 2014 £m | 2013 £m | 2014 £m | 2013 £m | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| UK | **1.8** | 2.6 | **2.5** | 1.8 | **13.4** | - | **5.9** | (1.4) |
| US | **0.8** | 0.9 | **0.8** | 1.0 | **3.4** | - | **1.6** | (1.2) |
| Continuing operations | **2.6** | 3.5 | **3.3** | 2.8 | **16.8** | - | **7.5** | (2.6) |
| Discontinued operations | **-** | - | **-** | 0.1 | **9.2** | - | **(3.5)** | 0.1 |
| **Total** | **2.6** | 3.5 | **3.3** | 2.9 | **26.0** | - | **4.0** | (2.5) |

Other than the items disclosed above and a share-based payments charge of £0.1m (2013: £0.3m) there were no other significant non-cash expenses during the year.

# Financial statements

## 1. Segmental reporting (continued)

**(b) Business segment**
Following the disposal of its Sport, Craft and Auto titles, the Group has amended its internal reporting and is now organised into three key 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 business segment**

| | **2014 £m** | 2013 £m |
|---|---|---|
| Technology | **20.7** | 23.6 |
| Games, Film and Music | **29.7** | 43.1 |
| Photography and Creative | **16.4** | 16.6 |
| Revenue between segments | **(0.8)** | (0.7) |
| **Total continuing operations** | **66.0** | 82.6 |

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

| | **2014 £m** | 2013 £m |
|---|---|---|
| Technology | **3.2** | 5.5 |
| Games, Film and Music | **4.9** | 9.0 |
| Photography and Creative | **2.7** | 4.0 |
| Add back: distribution expenses | **4.6** | 5.6 |
| **Total continuing operations** | **15.4** | 24.1 |

## 2. Revenue

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

| | **2014 £m** | 2013 £m |
|---|---|---|
| Digital and Diversified | **27.3** | 30.4 |
| Print | **38.7** | 52.2 |
| **Total continuing operations** | **66.0** | 82.6 |

## 3. Operating loss from continuing operations

| | **2014 £m** | 2013 £m |
|---|---|---|
| Revenue | **66.0** | 82.6 |
| Cost of sales | **(50.6)** | (58.5) |
| Gross profit | **15.4** | 24.1 |
| Distribution expenses | **(4.6)** | (5.6) |
| Administration expenses | **(21.1)** | (21.9) |
| Exceptional items | **(7.5)** | 2.6 |
| Impairment of intangible assets | **(16.8)** | - |
| **Operating loss from continuing operations** | **(34.6)** | (0.8) |

## 4. Fees paid to auditors

| | **2014 £m** | 2013 £m |
|---|---|---|
| Audit fees in respect of the audit of the financial statements of the Company and the consolidated financial statements | **0.1** | 0.1 |
| Fees payable for other services: | | |
| - The audit of the financial statements of the Company's subsidiaries | **-** | 0.1 |
| - Tax compliance services | **-** | 0.1 |
| - Tax advisory services | **0.1** | 0.1 |
| - Services relating to corporate finance transactions | **0.1** | - |
| **Total fees** | **0.3** | 0.4 |

## 5. Exceptional items from continuing operations

| | 2014 £m | 2013 £m |
|---|---|---|
| Vacant property provision movements | **1.3** | (1.2) |
| Restructuring and redundancy costs | **5.3** | 1.3 |
| Provision for bad debts | **0.9** | - |
| Profit on disposal of magazine titles and trademarks | **-** | (2.7) |
| **Total charge/(credit)** | **7.5** | (2.6) |

The vacant property provision made during the year relates to surplus office space in the UK. In 2013, the vacant property provision movement related to the release of a provision following the sublease of a vacant floor of a property in the US.

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

The provision for bad debts relates to amounts owed to the Group which are no longer considered recoverable following the filing for bankruptcy of Source Home Entertainment LLC and its group companies, one of the Group's distributors in the US.

The profit on disposal in 2013 relates to the sale of the UK Rock titles.

## 6. Employees from continuing operations

| | 2014 £m | 2013 £m |
|---|---|---|
| Wages and salaries | **31.7** | 33.5 |
| Social security costs | **4.1** | 4.6 |
| Other pension costs | **1.1** | 1.0 |
| Share schemes | | |
| - Value of employees' services | **0.1** | 0.3 |
| **Total staff costs from continuing operations** | **37.0** | 39.4 |

| **Average monthly number of people for continuing operations (including Directors)** | 2014 No. | 2013 No. |
|---|---|---|
| Production | **597** | 629 |
| Administration | **117** | 214 |
| **Total** | **714** | 843 |

At 30 September 2014, the actual number of people employed by the Group was 577 (2013 continuing: 782). In respect of our reportable segments 486 (2013 continuing: 641) were employed in the UK and 91 (2013 continuing: 141) were employed in the US.

**Key management personnel compensation**

| | Group 2014 £m | Company 2014 £m | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| Salaries and other short-term employee benefits | **0.8** | **0.2** | 0.8 | 0.3 |
| Termination benefits | **0.5** | **0.3** | - | - |
| Share schemes | | | | |
| - Value of employees' services | **-** | **-** | 0.2 | - |
| **Total** | **1.3** | **0.5** | 1.0 | 0.3 |

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.

Zillah Byng-Maddick, Mark Wood and Graham Harding were paid by Future Publishing Limited, a subsidiary company, for their services. In 2014 £0.1m (2013: £nil) was recharged to Future plc by Future Publishing Limited in respect of Zillah Byng-Maddick, £0.1m (2013: £0.2m) was recharged in respect of Mark Wood and £nil (2013: £0.1m) was recharged in respect of Graham Harding.

Further details on the Directors' remuneration and interests are given in the Directors' remuneration report on pages 29 to 39. The highest paid Director during the year was Mark Wood (2013: Mark Wood) and details of his remuneration are shown on page 30.

# Financial statements

## 7. Finance income and costs

| | 2014 £m | 2013 £m |
|---|---|---|
| Interest receivable | - | 0.6 |
| Fair value gain on interest rate derivative not in a hedge relationship | **0.2** | 0.2 |
| **Total finance income** | **0.2** | 0.8 |
| Interest payable on interest-bearing loans and borrowings | **(0.6)** | (1.0) |
| Amortisation of bank loan arrangement fees | **(0.5)** | (0.4) |
| Other finance costs | **(0.3)** | (0.7) |
| Exchange gains/(losses) | **0.4** | (0.1) |
| **Total finance costs** | **(1.0)** | (2.2) |
| **Net finance costs from continuing operations** | **(0.8)** | (1.4) |

## 8. Tax on loss

The tax (credited)/charged in the consolidated income statement for continuing operations is analysed below:

| | 2014 £m | 2013 £m |
|---|---|---|
| **UK corporation tax** | | |
| Current tax at 22% (2013: 23.5%) on the loss for the year | - | - |
| Adjustments in respect of previous years | **(0.3)** | (0.2) |
| **Current tax** | **(0.3)** | (0.2) |
| **Deferred tax origination and reversal of temporary differences** | | |
| Current year credit | **(0.1)** | - |
| Adjustments in respect of previous years | **(0.1)** | 0.3 |
| **Deferred tax** | **(0.2)** | 0.3 |
| **Total tax (credit)/charge on continuing operations** | **(0.5)** | 0.1 |

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

| | 2014 £m | 2013 £m |
|---|---|---|
| Loss before tax | **(35.4)** | (2.2) |
| Loss before tax at the standard UK tax rate of 22% (2013: 23.5%) | **(7.8)** | (0.5) |
| Different tax rates applicable overseas | - | (0.1) |
| Non-deductible amortisation and impairment | **5.9** | - |
| Losses generated and unrecognised | **1.6** | 0.4 |
| Losses and other timing differences not recognised in respect of tax in the US | - | 0.3 |
| Profits relieved against brought forward losses | **(0.1)** | (1.7) |
| Other net disallowable items | **0.3** | 1.6 |
| Adjustments in respect of prior years | **(0.4)** | 0.1 |
| **Total tax (credit)/charge on continuing operations** | **(0.5)** | 0.1 |

In 2013 the Group reached agreement with HMRC relating to the tax treatment of certain one-off transactions which took place in 2003. Part of that agreement will result in the Group paying tax of £6.2m plus interest (comprising instalments of £85,000 per month over five years from July 2013 and a final instalment of £2.0m). The tax payable was fully provided for in prior years' accounts.

The liability in the balance sheet has been split based on this agreement between current liabilities and non-current liabilities.

## 9. Dividends

| Equity dividends | 2014 | 2013 |
|---|---|---|
| Number of shares in issue at end of year (million) | **333.8** | 333.4 |
| Dividends paid in year (pence per share) | **0.2** | - |
| **Dividends paid in year (£m)** | **0.7** | - |

The dividends totalling £0.7m paid during the year ended 30 September 2014 relate to the final dividend for the year ended 30 September 2013 of 0.2 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 of intangible assets and any related tax effects from the calculation.

| Total Group | 2014 | 2013 |
|---|---|---|
| Adjustments to (loss)/profit after tax: | | |
| **(Loss)/profit after tax (£m)** | **(33.9)** | 4.3 |
| Exceptional items (£m) | **4.0** | (2.5) |
| Impairment of intangible assets (£m) | **26.0** | - |
| Tax effect of the above adjustments (£m) | **(0.3)** | 0.2 |
| **Adjusted (loss)/profit after tax (£m)** | **(4.2)** | 2.0 |
| | | |
| Weighted average number of shares in issue during the year: | | |
| - Basic | **332,208,630** | 331,812,054 |
| - Dilutive effect of share options | **2,814,149** | 6,298,779 |
| - Diluted | **335,022,779** | 338,110,833 |
| Basic (loss)/earnings per share (in pence) | **(10.2)** | 1.3 |
| Adjusted basic (loss)/earnings per share (in pence) | **(1.3)** | 0.6 |
| Diluted (loss)/earnings per share (in pence) | **(10.2)** | 1.3 |
| Adjusted diluted (loss)/earnings per share (in pence) | **(1.3)** | 0.6 |
| | | |
| The adjustments to (loss)/profit have the following effect: | | |
| **Basic and diluted (loss)/earnings per share (pence)** | **(10.2)** | 1.3 |
| Exceptional items (pence) | **1.2** | (0.8) |
| Impairment of intangible assets (pence) | **7.8** | - |
| Tax effect of the above adjustments (pence) | **(0.1)** | 0.1 |
| **Adjusted basic and diluted (loss)/earnings per share (pence)** | **(1.3)** | 0.6 |

Financial statements

## 10. Earnings per share (continued)

| Continuing operations | 2014 | 2013 |
|---|---|---|
| Adjustments to loss after tax: | | |
| **Loss after tax (£m)** | **(34.9)** | (2.3) |
| Exceptional items (£m) | **7.5** | (2.6) |
| Impairment of intangible assets (£m) | **16.8** | - |
| Tax effect of the above adjustments (£m) | **-** | 0.2 |
| **Adjusted loss after tax (£m)** | **(10.6)** | (4.7) |
| | | |
| Weighted average number of shares in issue during the year: | | |
| - Basic | **332,208,630** | 331,812,054 |
| - Dilutive effect of share options | **2,814,149** | 6,298,779 |
| - Diluted | **335,022,779** | 338,110,833 |
| Basic loss per share (in pence) | **(10.5)** | (0.7) |
| Adjusted basic loss per share (in pence) | **(3.2)** | (1.4) |
| Diluted loss per share (in pence) | **(10.5)** | (0.7) |
| Adjusted diluted loss per share (in pence) | **(3.2)** | (1.4) |
| | | |
| The adjustments to loss have the following effect: | | |
| **Basic and diluted loss per share (pence)** | **(10.5)** | (0.7) |
| Exceptional items (pence) | **2.3** | (0.8) |
| Impairment of intangible assets (pence) | **5.0** | - |
| Tax effect of the above adjustments (pence) | **-** | 0.1 |
| **Adjusted basic and diluted loss per share (pence)** | **(3.2)** | (1.4) |

| Discontinued operations | 2014 | 2013 |
|---|---|---|
| Adjustments to profit after tax: | | |
| **Profit after tax (£m)** | **1.0** | 6.6 |
| Exceptional items (£m) | **(3.5)** | 0.1 |
| Impairment of intangible assets (£m) | **9.2** | - |
| Tax effect of the above adjustments (£m) | **(0.3)** | - |
| **Adjusted profit after tax (£m)** | **6.4** | 6.7 |
| | | |
| Weighted average number of shares in issue during the year: | | |
| - Basic | **332,208,630** | 331,812,054 |
| - Dilutive effect of share options | **2,814,149** | 6,298,779 |
| - Diluted | **335,022,779** | 338,110,833 |
| Basic earnings per share (in pence) | **0.3** | 2.0 |
| Adjusted basic earnings per share (in pence) | **1.9** | 2.0 |
| Diluted earnings per share (in pence) | **0.3** | 2.0 |
| Adjusted diluted earnings per share (in pence) | **1.9** | 2.0 |
| | | |
| The adjustments to profit have the following effect: | | |
| **Basic and diluted earnings per share (pence)** | **0.3** | 2.0 |
| Exceptional items (pence) | **(1.1)** | - |
| Impairment of intangible assets (pence) | **2.8** | - |
| Tax effect of the above adjustments (pence) | **(0.1)** | - |
| **Adjusted basic and diluted earnings per share (pence)** | **1.9** | 2.0 |

## 11. Discontinued operations

The profit for the year from discontinued operations is analysed below. Only those costs directly attributable to the disposed titles have been classified within discontinued operations and no apportionment of central overheads has been made.

| | 2014 £m | 2013 £m |
|---|---|---|
| Revenue | **22.9** | 29.7 |
| Cost of sales | **(14.8)** | (19.3) |
| Gross profit | **8.1** | 10.4 |
| Distribution expenses | **(1.5)** | (2.1) |
| Administration expenses | **(0.2)** | (0.2) |
| **Operating profit before exceptional items and impairment of intangible assets** | **6.4** | 8.1 |
| Exceptional items | **-** | (0.1) |
| Impairment of intangible assets | **(9.2)** | - |
| **Operating (loss)/profit** | **(2.8)** | 8.0 |
| Net finance costs | **-** | - |
| **(Loss)/profit from discontinued operations before tax** | **(2.8)** | 8.0 |
| Tax on (loss)/profit from discontinued operations | **-** | (1.4) |
| **(Loss)/profit after tax from discontinued operations** | **(2.8)** | 6.6 |
| Gain on sale of operations | **3.5** | - |
| Tax on sale of operations | **0.3** | - |
| Gain on sale of operations after tax | **3.8** | - |
| **Profit from discontinued operations** | **1.0** | 6.6 |

The gain on sale of operations for the disposed titles is set out below:

| | 2014 £m |
|---|---|
| **Consideration:** | |
| Cash | 22.3 |
| Deferred consideration | 0.2 |
| Subscription liabilities | 2.3 |
| **Total consideration** | **24.8** |
| Costs of disposal | (1.5) |
| | **23.3** |
| **Net assets at disposal:** | |
| Intangible assets | 19.3 |
| Investment in associate | 0.2 |
| Inventories | 0.3 |
| | **19.8** |
| **Gain on sale of operations** | **3.5** |

## 11. Discontinued operations (continued)

**(i) Disposal of Sport and Craft titles**

On 21 July 2014, the Group completed the disposal of a portfolio comprising its Sport titles and Craft titles and as such the results of this portfolio have been included within discontinued operations. The portfolio was sold for cash proceeds of £20.0m and magazine deferred revenue retained by the Group of £2.0m.

During the year, the Sport and Craft titles increased the Group's operating cash flows by £4.9m, paid £0.2m in respect of investing activities and paid £nil in respect of financing activities.

The results of the Sport and Craft titles are set out below:

| | **2014 £m** | 2013 £m |
|---|---|---|
| **Revenue** | **18.5** | 24.4 |
| Cost of sales | **(12.1)** | (15.9) |
| Gross profit | **6.4** | 8.5 |
| Distribution costs | **(1.4)** | (1.8) |
| Administration expenses | **(0.2)** | (0.2) |
| **Operating profit before exceptional items and impairment of intangible assets** | **4.8** | 6.5 |
| Exceptional items | **-** | (0.1) |
| Impairment of intangible assets | **(9.2)** | - |
| **Operating (loss)/profit** | **(4.4)** | 6.4 |
| **(Loss)/profit from discontinued operations before tax** | **(4.4)** | 6.4 |
| Tax on (loss)/profit from discontinued operations | **-** | (1.1) |
| **(Loss)/profit after tax from discontinued operations** | **(4.4)** | 5.3 |
| Gain on sale of operations | **0.8** | - |
| Tax on sale of operations | **0.3** | - |
| Gain on sale of operations after tax | **1.1** | - |
| **(Loss)/profit from discontinued operations** | **(3.3)** | 5.3 |

The gain on sale of operations for these titles is set out below:

| | **2014 £m** |
|---|---|
| **Consideration:** | |
| Cash | 20.0 |
| Subscription liabilities | 2.0 |
| **Total consideration** | **22.0** |
| Costs of disposal | (1.5) |
| | **20.5** |
| **Net assets at disposal:** | |
| Intangible assets | 19.3 |
| Investment in associate | 0.2 |
| Inventories | 0.2 |
| | **19.7** |
| **Gain on sale of operations** | **0.8** |

## 11. Discontinued operations (continued)

**(ii) Disposal of Auto titles and Triathlon Plus**

On 18 August 2014, the Group disposed of a portfolio comprising its Auto titles and Triathlon Plus and as such the results of this portfolio have been included within discontinued operations. The portfolio was sold for total initial consideration of £2.1m, comprising cash proceeds of £1.8m and magazine deferred revenue retained by the Group of £0.3m. In addition, deferred consideration of up to £0.8m is payable by 30 September 2015 based on revenue performance.

During the year the Auto titles and Triathlon Plus increased the Group's operating cash flows by £1.2m, paid £nil in respect of investing activities and paid £nil in respect of financing activities.

The results of the Auto titles and Triathlon Plus are set out below:

| | **2014 £m** | 2013 £m |
|---|---|---|
| Revenue | **3.6** | 4.3 |
| Cost of sales | **(2.3)** | (2.8) |
| Gross profit | **1.3** | 1.5 |
| Distribution costs | **(0.1)** | (0.2) |
| Administration expenses | **-** | - |
| **Operating profit before exceptional items and impairment of intangible assets** | **1.2** | 1.3 |
| Exceptional items | **-** | - |
| Impairment of intangible assets | **-** | - |
| **Operating profit** | **1.2** | 1.3 |
| **Profit from discontinued operations before tax** | **1.2** | 1.3 |
| Tax on profit from discontinued operations | **-** | (0.3) |
| **Profit after tax from discontinued operations** | **1.2** | 1.0 |
| Gain on sale of operations | **2.2** | - |
| Tax on sale of operations | **-** | - |
| Gain on sale of operations after tax | **2.2** | - |
| **Profit from discontinued operations** | **3.4** | 1.0 |

The gain on sale of operations for these titles is set out below:

| | **2014 £m** |
|---|---|
| **Consideration:** | |
| Cash | 1.8 |
| Deferred consideration | 0.2 |
| Subscription liabilities | 0.3 |
| **Total consideration** | **2.3** |
| **Net assets at disposal:** | |
| Inventories | 0.1 |
| **Gain on sale of operations** | **2.2** |

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## 11. Discontinued operations (continued)

**(iii) Disposal of Fast Bikes**

On 21 August 2014, the Group disposed of Fast Bikes magazine and associated website and as such the results of this title have been included within discontinued operations. The title was sold for cash proceeds of £0.5m, resulting in a profit on disposal of £0.5m.

During the year Fast Bikes increased the Group's operating cash flows by £0.4m, paid £nil in respect of investing activities and paid £nil in respect of financing activities.

The results of Fast Bikes are set out below:

| | **2014 £m** | 2013 £m |
|---|---|---|
| Revenue | **0.8** | 1.0 |
| Cost of sales | **(0.4)** | (0.6) |
| Gross profit | **0.4** | 0.4 |
| Distribution | **-** | (0.1) |
| Adminstration expenses | **-** | - |
| **Operating profit before exceptional items and impairment of intangible assets** | **0.4** | 0.3 |
| Exceptional items | **-** | - |
| Impairment of intangible assets | **-** | - |
| **Operating profit** | **0.4** | 0.3 |
| **Profit from discontinued operations before tax** | **0.4** | 0.3 |
| Tax on profit from discontinued operations | **-** | - |
| **Profit after tax from discontinued operations** | **0.4** | 0.3 |
| Gain on sale of operations | **0.5** | - |
| Tax on sale of operations | **-** | - |
| Gain on sale of operations after tax | **0.5** | - |
| **Profit from discontinued operations** | **0.9** | 0.3 |

The gain on sale of operations for this title is set out below:

| | **2014 £m** |
|---|---|
| **Consideration:** | |
| Cash | **0.5** |
| **Net assets at disposal** | **-** |
| **Gain on sale of operations** | **0.5** |

## 12. Property, plant and equipment

| Group | Land and buildings £m | Plant and machinery £m | Equipment, fixtures and fittings £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 October 2012 | 4.1 | 5.7 | 2.4 | 12.2 |
| Additions | - | 0.5 | 0.1 | 0.6 |
| Disposals | - | (0.2) | - | (0.2) |
| At 30 September 2013 | **4.1** | **6.0** | **2.5** | **12.6** |
| Additions | **-** | **0.3** | **-** | **0.3** |
| Disposals | **-** | **(1.4)** | **(0.2)** | **(1.6)** |
| Transferred to non-current assets held for sale | **(1.2)** | **-** | **-** | **(1.2)** |
| **At 30 September 2014** | **2.9** | **4.9** | **2.3** | **10.1** |
| | | | | |
| **Accumulated depreciation** | | | | |
| At 1 October 2012 | (2.5) | (4.9) | (2.0) | (9.4) |
| Charge for the year | (0.2) | (0.6) | (0.1) | (0.9) |
| Disposals | - | 0.2 | - | 0.2 |
| At 30 September 2013 | **(2.7)** | **(5.3)** | **(2.1)** | **(10.1)** |
| Charge for the year | **(0.3)** | **(0.5)** | **(0.2)** | **(1.0)** |
| Disposals | **-** | **1.4** | **0.2** | **1.6** |
| Transferred to non-current assets held for sale | **0.4** | **-** | **-** | **0.4** |
| **At 30 September 2014** | **(2.6)** | **(4.4)** | **(2.1)** | **(9.1)** |
| | | | | |
| **Net book value at 30 September 2014** | **0.3** | **0.5** | **0.2** | **1.0** |
| Net book value at 30 September 2013 | 1.4 | 0.7 | 0.4 | 2.5 |
| Net book value at 1 October 2012 | 1.6 | 0.8 | 0.4 | 2.8 |

Depreciation is included within administration expenses in the consolidated income statement.

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## 13. Intangible assets

| Group | Goodwill £m | Magazine and website £m | Other £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 October 2012 | 311.1 | 15.2 | 12.1 | 338.4 |
| Additions | 0.2 | 0.5 | 2.2 | 2.9 |
| Disposals | (6.2) | - | (0.1) | (6.3) |
| Exchange adjustments | - | (0.1) | - | (0.1) |
| At 30 September 2013 | **305.1** | **15.6** | **14.2** | **334.9** |
| Additions | **-** | **-** | **2.3** | **2.3** |
| Disposals | **(19.3)** | **(0.3)** | **(1.2)** | **(20.8)** |
| Exchange adjustments | **(0.2)** | **(0.1)** | **-** | **(0.3)** |
| **At 30 September 2014** | **285.6** | **15.2** | **15.3** | **316.1** |
| | | | | |
| **Accumulated amortisation** | | | | |
| At 1 October 2012 | (218.8) | (15.1) | (9.2) | (243.1) |
| Charge for the year | - | (0.1) | (1.9) | (2.0) |
| At 30 September 2013 | **(218.8)** | **(15.2)** | **(11.1)** | **(245.1)** |
| Charge for the year | **-** | **(0.3)** | **(2.0)** | **(2.3)** |
| Impairment charge | **(26.0)** | **-** | **-** | **(26.0)** |
| Disposals | **-** | **0.3** | **1.2** | **1.5** |
| Exchange adjustments | **0.1** | **0.1** | **-** | **0.2** |
| **At 30 September 2014** | **(244.7)** | **(15.1)** | **(11.9)** | **(271.7)** |
| | | | | |
| **Net book value at 30 September 2014** | **40.9** | **0.1** | **3.4** | **44.4** |
| Net book value at 30 September 2013 | 86.3 | 0.4 | 3.1 | 89.8 |
| Net book value at 1 October 2012 | 92.3 | 0.1 | 2.9 | 95.3 |

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.

Amortisation is included within administration expenses in the consolidated income statement.

**Impairment tests for goodwill and other intangibles**
At 31 March 2014, the Directors considered there to be an indication of impairment in respect of the carrying amount of goodwill of the UK and US segments. The Directors considered the trading patterns, challenging economic climate and trading environment in which the Group's restructuring activities were taking place to be indicators of impairment, and therefore tested for impairment at 31 March 2014.

The impairment test resulted in an impairment charge of £22.6m being taken against the carrying value of the UK segment and £3.4m being taken against the carrying value of the US segment at 31 March 2014 (comprising £16.8m in respect of continuing operations and £9.2m in respect of discontinued operations).

The breakdown of the goodwill balance at 30 September 2014 comprises:

| | **2014 £m** | 2013 £m |
|---|---|---|
| UK | **40.9** | 82.8 |
| US | **-** | 3.5 |
| **Total** | **40.9** | 86.3 |

## 13. Intangible assets (continued)

The Directors prepared a further detailed impairment assessment at 30 September 2014 and concluded that no further impairment was required. 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 2014

| | 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 | 2.0% | 2.0% |
| EBITDA margins assumed | 7.8% to 17.4% | 0.4% to 23.3% |
| Post-tax discount rate | 10.4% | 11.7% |
| Pre-tax discount rate | 13.3% | 15.0% |

At 30 September 2013

| | 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 | 2.0% | 2.0% |
| EBITDA margins assumed | 12.1% to 13.7% | 1.0% to 7.5% |
| Post-tax discount rate | 9.5% | 9.5% |
| Pre-tax discount rate | 13.3% | 12.5% |

**Sensitivity of recoverable amounts**
At 30 September 2014 the analysis of the recoverable amounts gave rise to the following assessments of sensitivity:

(i) UK
The value in use of the UK business exceeded the carrying value by £13.9m. An impairment would be required if the pre-tax discount rate was more than 400 basis points higher or if forecast cash flows were more than 29% lower.

Goodwill is not considered to be impaired at 30 September 2014.

## 14. Investments in Group undertakings

| Company | **2014 £m** | 2013 £m |
|---|---|---|
| **Shares in Group undertakings** | | |
| At 1 October | **159.1** | 159.1 |
| Provision for impairment | **(27.2)** | - |
| At 30 September | **131.9** | 159.1 |

In September 2014, the Directors reviewed their valuations of the Company's investments. Following this review, the Company's investment in Rho Holdings Limited was written down to a carrying value of £130.9m resulting in an impairment charge of £27.2m.

The Directors believe that the carrying value of the remaining investments are supported by their underlying assets, taking into account the amounts owed by the Company to Group undertakings (see note 20).

In assessing this carrying value the same assumptions as referred to in note 13 have been used.

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## 15. 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 | Total £m |
|---|---|---|---|---|---|
| At 1 October 2012 | (1.3) | 0.1 | 0.4 | 0.3 | (0.5) |
| Credited/(charged) to income statement – Continuing operations | 0.1 | - | (0.1) | (0.3) | (0.3) |
| At 30 September 2013 | **(1.2)** | **0.1** | **0.3** | **-** | **(0.8)** |
| Credited/(charged) to income statement – Continuing operations | **0.1** | **(0.1)** | **0.1** | **0.1** | **0.2** |
| Credited to income statement – Discontinued operations | **0.4** | **-** | **-** | **-** | **0.4** |
| **At 30 September 2014** | **(0.7)** | **-** | **0.4** | **0.1** | **(0.2)** |

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:

| | **2014 £m** | 2013 £m |
|---|---|---|
| Deferred tax assets | **0.5** | 0.4 |
| Deferred tax liabilities | **(0.7)** | (1.2) |
| **Net deferred tax liability** | **(0.2)** | (0.8) |

The deferred tax asset of £0.5m (2013: £0.4m) is disclosed as a non-current asset of which the assets due within one year total £0.2m (2013: £0.1m). The deferred tax liability of £0.7m (2013: £1.2m) is disclosed as a non-current liability of which the liabilities due within one year total £nil (2013: £nil).

As at 30 September 2014 the Group has:
- unprovided deferred tax assets on tax losses totalling £11.2m (2013: £11.0m) of which £10.7m (2013: £10.8m) arose in the US; and
- unprovided deferred tax assets on other temporary differences totalling £2.1m (2013: £2.2m) of which £2.1m (2013: £2.2m) arose 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 of £0.1m recognised on the Company's balance sheet in 2013 was in respect of share-based payments. The Company has no unprovided deferred tax assets or liabilities at 30 September 2014 (2013: £nil).

## 16. Inventories

| | **2014 £m** | 2013 £m |
|---|---|---|
| Raw materials | **0.2** | 0.4 |
| Work in progress | **0.4** | 1.2 |
| Finished goods | **-** | 0.3 |
| **Total** | **0.6** | 1.9 |

The cost of raw material inventories recognised as an expense and included within cost of sales amounted to £4.4m (2013: £5.6m).

## 17. Trade and other receivables

| | Group 2014 £m | Company 2014 £m | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| **Current assets:** | | | | |
| Trade receivables | **8.3** | **-** | 15.1 | - |
| Provisions for impairment of trade receivables | **(1.1)** | **-** | (0.2) | - |
| Trade receivables net | **7.2** | **-** | 14.9 | - |
| Amounts owed by Group undertakings | **-** | **43.6** | - | 43.3 |
| Other receivables | **0.5** | **-** | 0.6 | - |
| Prepayments and accrued income | **4.7** | **0.4** | 5.7 | - |
| | **12.4** | **44.0** | 21.2 | 43.3 |
| **Non-current assets:** | | | | |
| Other receivables | **0.4** | **-** | 0.2 | - |
| **Total** | **12.8** | **44.0** | 21.4 | 43.3 |

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 13% (2013: 14%) of the Group's trade receivables balance at 30 September 2014.

The Group has provided for estimated irrecoverable amounts in accordance with its accounting policy described on page 55 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 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, review of credit status and review of the reason for the increase.

Included within the Group's trade receivables balance are receivables with a carrying amount of £2.7m (2013: £3.0m) 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 set out below:

| **Past due** | Group 2014 £m | Group 2013 £m |
|---|---|---|
| 0-30 days | **1.5** | 1.6 |
| 31-60 days | **0.7** | 0.5 |
| 61-90 days | **0.4** | 0.7 |
| 91+ days | **0.1** | 0.2 |
| **Total** | **2.7** | 3.0 |

As at 30 September 2014, trade receivables of £1.1m (2013: £0.2m) were impaired and provided for. The individually impaired receivables mainly relate to advertising and licensing customers together with a provision in respect of amounts due from Source Home Entertainment LLC and its group companies. It is assessed that a portion of the receivables is expected to be recovered.

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

| | Group 2014 £m | Group 2013 £m |
|---|---|---|
| At 1 October | **0.2** | 0.4 |
| Provision for receivables impaired | **1.2** | 0.1 |
| Receivables written off during the year | **(0.3)** | (0.3) |
| **At 30 September** | **1.1** | 0.2 |

The creation and release of provisions for impaired receivables have been included in administration expenses in the income statement, with the exception of £0.9m relating to a distributor that filed for bankruptcy which has been included within exceptional items, as described in note 5. Amounts charged to the provision 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.

## 17. Trade and other receivables (continued)

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 of the Company's receivables are with Group undertakings, with the exception of £0.4m (2013: £nil) relating to prepaid bank arrangement fees, 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 + 3.1%. The balance of amounts owed by Group undertakings is interest-free without any terms for repayment.

## 18. Cash and cash equivalents

| | **Group 2014 £m** | **Company 2014 £m** | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| Cash at bank and in hand | **7.5** | **-** | 4.6 | - |
| **Cash and cash equivalents (excluding bank overdraft)** | **7.5** | **-** | 4.6 | - |

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

| | **Group 2014 £m** | **Company 2014 £m** | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| Cash at bank and in hand | **7.5** | **-** | 4.6 | - |
| Bank overdraft (note 21) | **-** | **(8.6)** | - | (7.5) |
| **Cash and cash equivalents** | **7.5** | **(8.6)** | 4.6 | (7.5) |

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. 90% of the Group's cash is held at counterparties with an S+P credit rating of A.

## 19. Non-current assets held for sale

As a result of the Group's decision to sell one of its properties in the UK, the property's net book value of £0.8m has been presented as held for sale in the Group balance sheet at 30 September 2014. The Group has not recognised any impairment losses on reclassification of the property as held for sale.

The Group completed the sale of the property on 10 November 2014.

## 20. Trade and other payables

| | **Group 2014 £m** | **Company 2014 £m** | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| Trade payables | **9.3** | **-** | 11.1 | - |
| Amounts owed to Group undertakings | **-** | **123.1** | - | 113.7 |
| Other taxation and social security | **0.9** | **-** | 1.2 | - |
| Other payables | **1.7** | **-** | 1.6 | - |
| Accruals and deferred income | **14.0** | **0.1** | 17.7 | 0.1 |
| **Total** | **25.9** | **123.2** | 31.6 | 113.8 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. 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.

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

### Current liabilities

| | Interest rate at 30 September 2014 | Interest rate at 30 September 2013 | Group 2014 £m | Company 2014 £m | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|---|---|
| Sterling revolving loan | - | 2.9% | - | - | 6.6 | 6.6 |
| US Dollar revolving loan | - | 2.6% | - | - | 4.9 | - |
| **Total** | | | - | - | 11.5 | 6.6 |

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

| | Group 2014 £m | Company 2014 £m | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| Within one year | - | - | 11.5 | 6.6 |
| **Total** | - | - | 11.5 | 6.6 |

The Group's credit facility was amended and restated in June 2014. The total facility available to the Group at 30 September 2014 amounts to £9.8m and this can be drawn in sterling, US Dollars or Euros. The Group has granted security to the banks and the availability of the facility, which expires in December 2015, is subject to certain covenants.

Fees relating to the amendment and restatement amounted to £0.5m and these are being amortised over the term of the facility. The bank borrowings and interest are guaranteed by Future plc, Future Holdings 2002 Limited, Future Publishing Limited and Future US, Inc.

Interest payable under the current credit facility is calculated as the cost of three-month LIBOR (currently approximately 0.56%) plus an interest margin of between 4.25% and 5.00%, dependent on the type of drawdown.

The key financial covenants are set out in the following table where net debt is exclusive of non-current tax and other payables and Bank EBITDA is not materially different to statutory EBITDA on a total Group basis.

| Measurement period ending: | Net debt/Bank EBITDA to be less than | Bank EBITDA/Interest to be more than | Cash flow/Debt service to be more than |
|---|---|---|---|
| 30 September 2014 | 0.61 | 10.0 | 20.0 |
| 31 December 2014 | 0.96 | 8.0 | 20.0 |
| 31 March 2015 | 2.24 | 6.0 | 20.0 |
| 30 June 2015 | 2.25 | 6.0 | 19.0 |
| 30 September 2015 | 1.83 | 7.0 | Negative cashflow to be no greater than £7.0m |
| 31 December 2015 | 1.30 | 7.0 | Negative cashflow to be no greater than £4.3m |

The covenants are tested quarterly on the basis of rolling figures for the preceding 12 months and the covenant position at the year-end is set out in the following table:

| | 30 September 2014 | Covenant |
|---|---|---|
| Net debt/Bank EBITDA | Not tested | < 0.61 times |
| Bank EBITDA/Interest | 11.0 | > 10.0 times |
| Cash flow/Debt service | 174.7 | > 20.0 times |

The Group has additional covenants in respect of capital expenditure and exceptional costs, which were both met at 30 September 2014.

The Company has a non-interest-bearing overdraft of £8.6m (2013: £7.5m) which forms part of the Group cash pooling account and can be offset against cash balances in other Group companies.

# Financial statements

## 22. Financial assets and liabilities – derivatives

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

| Current assets | Group 2014 £m | Company 2014 £m | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| Forward foreign exchange contracts | - | - | 0.4 | - |
| **Total** | - | - | 0.4 | - |

| Current liabilities | Group 2014 £m | Company 2014 £m | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| Interest rate derivatives | - | - | (0.2) | (0.2) |
| **Total** | - | - | (0.2) | (0.2) |

In line with the Board's policy of hedging interest rate risk as disclosed in note 25, 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 had a seven-year period and expired in October 2014. The collar had a cap at 6.00% and a floor of 4.65%.

A fair value gain for the year of £0.2m (2013: £0.2m) on interest rate derivatives has been included within finance income in the income statement as hedge accounting is not applied to these contracts.

During the year, the Group hedged its exposure to transactional foreign currency risk through forward foreign exchange contracts to sell US Dollars and Australian Dollars. These contracts had monthly maturity dates and ended in August 2014.

A fair value loss for the year of £0.2m (2013: gain of £0.2m) 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 assets and 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).

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Group | Interest rate derivatives £m | Forward foreign exchange contracts £m | Interest rate derivatives £m | Forward foreign exchange contracts £m |
| Within one year | - | - | (0.2) | 0.4 |
| **Total (liabilities)/assets** | - | - | (0.2) | 0.4 |

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

| Company | 2014 Interest rate derivatives £m | 2013 Interest rate derivatives £m |
|---|---|---|
| Within one year | - | (0.2) |
| **Total liabilities** | - | (0.2) |

## 23. Provisions

| Group | Property £m |
|---|---|
| At 1 October 2013 | 1.5 |
| Charged in the year | 1.5 |
| Utilised in the year | (0.2) |
| **At 30 September 2014** | **2.8** |

The provision for property relates to dilapidations and obligations under short leasehold agreements on vacant property. The vacant property provision is expected to be utilised over the next five years. The dilapidations provision is expected to be utilised on the expiry of property leases.

Provisions for the Company were £nil (2013: £nil).

## 24. Other non-current liabilities

| Group | 2014 £m | 2013 £m |
|---|---|---|
| Other payables | **1.2** | 1.5 |

Other payables consist mainly of deferred subscription revenue and deferred property lease liabilities.

## 25. Financial instruments

### Financial instruments by category

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

| | | Fair value | Amortised cost | | 2014 | |
|---|---|---|---|---|---|---|
| Group | Note | Derivatives £m | Loans and receivables £m | Other liabilities £m | Total carrying value £m | Total fair value £m |
| Trade receivables net | 17 | **-** | **7.2** | **-** | **7.2** | **7.2** |
| Other receivables | | **-** | **2.1** | **-** | **2.1** | **2.1** |
| Derivatives | 22 | **-** | **-** | **-** | **-** | **-** |
| Cash and cash equivalents | 18 | **-** | **7.5** | **-** | **7.5** | **7.5** |
| **Total financial assets** | | **-** | **16.8** | **-** | **16.8** | **16.8** |
| Trade payables | 20 | **-** | **-** | **(9.3)** | **(9.3)** | **(9.3)** |
| Other liabilities | | **-** | **-** | **(9.5)** | **(9.5)** | **(9.5)** |
| Derivatives | 22 | **-** | **-** | **-** | **-** | **-** |
| **Total financial liabilities** | | **-** | **-** | **(18.8)** | **(18.8)** | **(18.8)** |

| | | Fair value | Amortised cost | | 2013 | |
|---|---|---|---|---|---|---|
| Group | Note | Derivatives £m | Loans and receivables £m | Other liabilities £m | Total carrying value £m | Total fair value £m |
| Trade receivables net | 17 | - | 14.9 | - | 14.9 | 14.9 |
| Other receivables | | - | 2.9 | - | 2.9 | 2.9 |
| Derivatives | 22 | 0.4 | - | - | 0.4 | 0.4 |
| Cash and cash equivalents | 18 | - | 4.6 | - | 4.6 | 4.6 |
| **Total financial assets** | | 0.4 | 22.4 | - | 22.8 | 22.8 |
| Trade payables | 20 | - | - | (11.1) | (11.1) | (11.1) |
| Other liabilities | | - | - | (9.6) | (9.6) | (9.6) |
| Current borrowings | 21 | - | - | (11.5) | (11.5) | (11.5) |
| Derivatives | 22 | (0.2) | - | - | (0.2) | (0.2) |
| **Total financial liabilities** | | (0.2) | - | (32.2) | (32.4) | (32.4) |

Total financial liabilities are shown net of unamortised costs of £nil (2013: £0.4m) as the Group had no borrowings at 30 September 2014 therefore the unamortised costs have been classified as a prepayment.

# Financial statements

## 25. Financial instruments (continued)

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

| | | Fair value | Amortised cost | | 2014 | |
|---|---|---|---|---|---|---|
| **Company** | Note | **Derivatives £m** | **Loans and receivables £m** | **Other liabilities £m** | **Total carrying value £m** | **Total fair value £m** |
| Other receivables | 17 | **-** | **43.6** | **-** | **43.6** | **43.6** |
| **Total financial assets** | | **-** | **43.6** | **-** | **43.6** | **43.6** |
| Other liabilities | 20 | **-** | **-** | **(123.2)** | **(123.2)** | **(123.2)** |
| Overdrafts | 21 | **-** | **-** | **(8.6)** | **(8.6)** | **(8.6)** |
| Derivatives | 22 | **-** | **-** | **-** | **-** | **-** |
| **Total financial liabilities** | | **-** | **-** | **(131.8)** | **(131.8)** | **(131.8)** |

| | | Fair value | Amortised cost | | 2013 | |
|---|---|---|---|---|---|---|
| **Company** | Note | **Derivatives £m** | **Loans and receivables £m** | **Other liabilities £m** | **Total carrying value £m** | **Total fair value £m** |
| Other receivables | 17 | - | 43.3 | - | 43.3 | 43.3 |
| **Total financial assets** | | - | 43.3 | - | 43.3 | 43.3 |
| Other liabilities | 20 | - | - | (113.8) | (113.8) | (113.8) |
| Overdrafts | 21 | - | - | (7.5) | (7.5) | (7.5) |
| Current borrowings | 21 | - | - | (6.6) | (6.6) | (6.6) |
| Derivatives | 22 | (0.2) | - | - | (0.2) | (0.2) |
| **Total financial liabilities** | | (0.2) | - | (127.9) | (128.1) | (128.1) |

Total financial liabilities are shown net of unamortised costs of £nil (2013: £0.4m) as the Company had no borrowings at 30 September 2014 therefore the unamortised costs have been classified as a prepayment.

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.

## 25. Financial instruments (continued)

**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 21.

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 2014** | | | | | | | | |
| Currency: | | | | | | | | |
| Sterling | **-** | **9.8** | **9.8** | **-** | **-** | **(15.7)** | **(15.7)** | **(5.9)** |
| US Dollar | **-** | **4.5** | **4.5** | **-** | **-** | **(2.6)** | **(2.6)** | **1.9** |
| Euro | **-** | **0.4** | **0.4** | **-** | **-** | **(0.3)** | **(0.3)** | **0.1** |
| Other | **-** | **2.1** | **2.1** | **-** | **-** | **(0.2)** | **(0.2)** | **1.9** |
| **Total** | **-** | **16.8** | **16.8** | **-** | **-** | **(18.8)** | **(18.8)** | **(2.0)** |
| At 30 September 2013 | | | | | | | | |
| Currency: | | | | | | | | |
| Sterling | - | 13.6 | 13.6 | (1.6) | (5.0) | (15.8) | (22.4) | (8.8) |
| US Dollar | 0.1 | 6.2 | 6.3 | (4.9) | - | (4.6) | (9.5) | (3.2) |
| Euro | - | 0.5 | 0.5 | - | - | (0.2) | (0.2) | 0.3 |
| Other | - | 2.4 | 2.4 | - | - | (0.3) | (0.3) | 2.1 |
| **Total** | 0.1 | 22.7 | 22.8 | (6.5) | (5.0) | (20.9) | (32.4) | (9.6) |

**Interest rate risk**
Details of the interest rates on borrowings as at 30 September 2014 are set out in note 21.

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 2014 are set out in note 22.

For 2014, if interest rates on net borrowings had been on average 0.5% higher/lower with all other variables held constant, the post-tax profit for the year would have decreased/increased by £nil (2013: £nil).

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.

## 25. Financial instruments (continued)

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 Chief Financial Officer. Details of the Group's forward foreign exchange contracts at 30 September 2014 are set out in note 22.

- Translation exposure – the Group matches currency assets with currency liabilities wherever possible.

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

| **2014 currency risks expressed in Currency 1/Currency 2 £m** | **GBP/USD** | **GBP/AUD** |
|---|---|---|
| Reasonable shift | **10%** | **10%** |
| Impact on loss after tax if Currency 1 strengthens against Currency 2 | **(0.3)** | **(0.1)** |
| Impact on loss after tax if Currency 1 weakens against Currency 2 | **0.3** | **0.1** |
| Impact on equity excluding retained earnings if Currency 1 strengthens against Currency 2 | **0.3** | **0.1** |
| Impact on equity excluding retained earnings if Currency 1 weakens against Currency 2 | **(0.3)** | **(0.1)** |

| 2013 currency risks expressed in Currency 1/Currency 2 £m | GBP/USD | GBP/AUD | USD/CAD |
|---|---|---|---|
| Reasonable shift | 10% | 10% | 10% |
| Impact on profit after tax if Currency 1 strengthens against Currency 2 | (0.3) | (0.1) | - |
| Impact on profit after tax if Currency 1 weakens against Currency 2 | 0.3 | 0.1 | - |
| Impact on equity excluding retained earnings if Currency 1 strengthens against Currency 2 | 0.3 | 0.1 | - |
| Impact on equity excluding retained earnings if Currency 1 weakens against Currency 2 | (0.3) | (0.1) | - |

**Liquidity risk**
For the past three years, the Group has funded the business largely from cash flows generated from operations, working capital facilities and long-term debt. Details of the Group's borrowings are disclosed in note 21.

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 2014** | **Less than one year £m** | **Between one and two years £m** | **Between two and five years £m** | **Over five years £m** | **Total £m** |
|---|---|---|---|---|---|
| Trade payables | **(9.3)** | **-** | **-** | **-** | **(9.3)** |
| Other liabilities | **(8.1)** | **(0.4)** | **(0.6)** | **(0.4)** | **(9.5)** |
| Derivatives | **-** | **-** | **-** | **-** | **-** |
| **Total financial liabilities** | **(17.4)** | **(0.4)** | **(0.6)** | **(0.4)** | **(18.8)** |

| 30 September 2013 | Less than one year £m | Between one and two years £m | Between two and five years £m | Over five years £m | Total £m |
|---|---|---|---|---|---|
| Trade payables | (11.1) | - | - | - | (11.1) |
| Other liabilities | (8.4) | (0.4) | (0.6) | (0.1) | (9.5) |
| Borrowings | (12.0) | - | - | - | (12.0) |
| Derivatives | 0.2 | - | - | - | 0.2 |
| **Total financial liabilities** | (31.3) | (0.4) | (0.6) | (0.1) | (32.4) |

## 26. Issued share capital

| | 2014 £m | 2013 £m |
|---|---|---|
| **Authorised share capital** | | |
| **600,000,000 Ordinary shares of 1p each** | **6.0** | 6.0 |

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Number of shares | £m | Number of shares | £m |
| **Allotted, issued and fully paid Ordinary shares of 1p each** | | | | |
| At beginning of year | **333,398,827** | **3.3** | 332,982,172 | 3.3 |
| Share scheme exercises | **382,646** | **-** | 416,655 | - |
| **At end of year** | **333,781,473** | **3.3** | 333,398,827 | 3.3 |

During the year, 382,646 Ordinary shares with a nominal value of £3,826 were issued by the Company for a total cash commitment of £7,078 pursuant to share scheme exercises as detailed in note 27.

In 2013, 416,655 Ordinary shares with a nominal value of £4,167 were issued by the Company for a total cash commitment of £30,170 pursuant to share scheme exercises as detailed in note 27.

## 27. Share-based payments

The income statement charge for the year for share-based payments was £0.1m (2013: £0.3m). 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.

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

| | 2014 Number of options/awards | 2014 Weighted average exercise price | 2013 Number of options/awards | 2013 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **13,780,954** | **£0.055** | 10,185,502 | £0.025 |
| Granted | **8,877,662** | **£0.037** | 7,538,279 | £0.080 |
| Share awards exercised – new share issues | **(382,646)** | **£0.018** | (282,255) | £0.059 |
| Lapsed | **(9,390,040)** | **£0.078** | (3,660,572) | £0.023 |
| Outstanding at 30 September | **12,885,930** | **£0.027** | 13,780,954 | £0.055 |
| Exercisable at 30 September | **44,294** | **£0.081** | 482,297 | £0.155 |

The weighted average share price at the date of exercise of share options and other share incentive awards during the year was £0.145 (2013: £0.157).

## 27. 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 options/awards | | Weighted average exercise price | | Weighted average remaining contractual life in years | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| **Sharesave Plan** | | | | | | |
| April 2010 | **-** | 481,254 | **-** | £0.155 | **-** | - |
| December 2010 | **21,818** | 834,530 | **£0.165** | £0.165 | **-** | 1 |
| December 2012 | **1,377,233** | 3,906,197 | **£0.140** | £0.140 | **2** | 3 |
| December 2013 | **1,135,366** | - | **£0.130** | - | **3** | - |
| **PSP** | | | | | | |
| December 2010 | **-** | 224,221 | **-** | - | **-** | - |
| January 2012 | **4,008,769** | 4,944,444 | **-** | - | **-** | 1 |
| December 2012 | **678,159** | 1,583,333 | **-** | - | **1** | 2 |
| December 2013 | **2,156,022** | - | **-** | - | **2** | - |
| July 2014 | **2,500,000** | - | **-** | - | **3** | - |
| **DABS** | | | | | | |
| November 2009 | **1,043** | 1,043 | **-** | - | **-** | - |
| December 2010 | **21,433** | 326,462 | **-** | - | **-** | - |
| January 2012 | **534,476** | 876,726 | **-** | - | **-** | 1 |
| December 2012 | **333,459** | 602,744 | **-** | - | **1** | 2 |
| December 2013 | **118,152** | - | **-** | - | **2** | - |
| **Total outstanding at 30 September** | **12,885,930** | 13,780,954 | **£0.027** | £0.055 | **1** | 2 |

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

| | **2014** | | | | 2013 | | |
|---|---|---|---|---|---|---|---|
| | **DABS** | **PSP** | **PSP** | **Sharesave** | DABS | PSP | Sharesave |
| Grant date | **16/12/13** | **16/12/13** | **16/07/14** | **13/12/13** | 17/12/12 | 17/12/12 | 20/12/12 |
| Share price at grant date | **£0.175** | **£0.175** | **£0.084** | **£0.175** | £0.180 | £0.180 | £0.183 |
| Exercise price | **-** | **-** | **-** | **£0.130** | - | - | £0.140 |
| Vesting period (years) | **3** | **3** | **3** | **3** | 3 | 3 | 3 |
| Expected volatility | **55%** | **55%** | **56%** | **55%** | 55% | 55% | 55% |
| Option life (years) | **3** | **3** | **3** | **3** | 3 | 3 | 3 |
| Expected life (years) | **3** | **3** | **3** | **3** | 3 | 3 | 3 |
| Risk-free rate | **1%** | **1%** | **1%** | **1%** | 0% | 0% | 1% |
| Dividend yield | **1%** | **1%** | **3%** | **1%** | 0% | 0% | 0% |
| TSR correlation | **-** | **5%** | **5%** | **-** | - | 6% | - |
| Fair value | **£0.169** | **£0.141** | **£0.053** | **£0.077** | £0.180 | £0.159 | £0.083 |
| Fair value – EPS element | **-** | **£0.169** | **£0.078** | **-** | - | £0.180 | - |
| Fair value – TSR element | **-** | **£0.113** | **£0.027** | **-** | - | £0.138 | - |

**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 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. 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.

Future plc operates one share option scheme being the Future plc 2010 Approved Sharesave Plan (2010 Sharesave Plan) and at 30 September 2014 options or awards had been granted under this scheme.

**The 2010 Sharesave Plan (the Sharesave Plan)**
Under the Sharesave Plan the option entitlement granted to participating employees is linked to the monthly contributions which such employees have agreed to pay into the Sharesave Plan (up to a maximum amount of £250 per month). The options granted under the Sharesave Plan vest on the third anniversary of the grant of such options. Where legal and regulatory constraints permit, the Company uses its discretion to offer options granted under the Sharesave Plan at a discount to the market price in force at the date of the invitation being made.

The Board exercised its discretion in November 2013 to issue invitations to participate in the Sharesave Plan to eligible employees in the UK.
The option price represented a 20% discount to the market price at the time of the invitation.

## 27. Share-based payments (continued)

**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.

**Performance Share Plan (PSP)**
The PSP is a share-based incentive scheme open to the executive Directors and certain other key senior managers, usually 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 within 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 pages 31 and 32 of this Annual Report.

Grants were made under the PSP in December 2012, December 2013 and July 2014.

**Deferred Annual Bonus Scheme (DABS)**
The DABS is a share-based incentive scheme open to senior management across the Group. 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 December 2012 and December 2013.

## 28. 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 2014 £m** | Group 2013 £m |
|---|---|---|
| At beginning and end of year | **(0.3)** | (0.3) |

The 1,426,848 (2013: 1,426,848) shares held by the EBT represent 0.4% (2013: 0.4%) of the Company's issued share capital. 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 2014 £m** | **Company 2014 £m** | Group 2013 £m | Company 2013 £m |
|---|---|---|---|---|
| At 1 October | **0.2** | **-** | - | - |
| Net fair value (losses)/gains | **(0.2)** | **-** | 0.2 | - |
| **At 30 September** | **-** | **-** | 0.2 | - |

**Merger reserve**
The merger reserve of £109.0m (2013: £109.0m) arose following the 1999 Group reorganisation and is non-distributable.

## 29. 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 29 funds run by T. Rowe Price, but the employees, not the employer, have complete control over which funds they invest in, although they have no control over the stocks owned by the funds.

During the year, £1.3m (2013: £1.2m) contributions were made to these plans.

# Financial statements

## 30. Commitments and contingent liabilities

**(a) Operating lease commitments**
At 30 September 2014, the Group had the following total future lease payments under non-cancellable operating leases:

| | Land and buildings £m | Other £m | Total 2014 £m | Land and buildings £m | Other £m | Total 2013 £m |
|---|---|---|---|---|---|---|
| Within one year | **3.5** | **0.1** | **3.6** | 4.3 | 0.2 | 4.5 |
| Between one and five years | **6.6** | **0.1** | **6.7** | 9.9 | 0.1 | 10.0 |
| After five years | **6.9** | **-** | **6.9** | 8.1 | - | 8.1 |
| **Total** | **17.0** | **0.2** | **17.2** | 22.3 | 0.3 | 22.6 |

Future minimum sub-lease receipts expected under non-cancellable subleases at 30 September 2014 total £2.4m (2013: £3.9m).

During the year, £3.4m (2013: £3.2m) was recognised in the income statement in respect of operating lease rental payments and £1.5m (2013: £0.7m) 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 2014 (2013: £nil).

## 31. Related party transactions

The Group had no material transactions with related parties in 2014 or 2013 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 £0.2m (2013: £0.1m) from subsidiary undertakings. The outstanding balance at 30 September 2014 was £0.2m (2013: £0.1m).

## 32. Principal subsidiary undertakings

The undertakings whose results or financial position principally affected the figures shown in the Group's financial statements at 30 September 2014 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 |

## 33. Post balance sheet event

On 10 November 2014, the Group completed the sale of one of its UK properties for £1.25m. This property has been presented as a non-current asset held for sale at 30 September 2014, as disclosed in note 19.

# 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 sixteenth Annual General Meeting of Future plc will be held on Wednesday 4 February 2015 at Future's London office, 1-10 Praed Mews, London W2 1QY at 10:30am at which the following resolutions numbered 1 to 12 will be proposed as ordinary resolutions, and resolutions numbered 13 and 14 will be proposed as special resolutions.

## Ordinary Business

**Ordinary resolutions**

1. To receive and adopt the audited financial statements of the Company for the financial year ended 30 September 2014 and the reports of the Directors and the auditors.

2. To approve the Remuneration implementation report as set out in pages 30 to 35 of the Annual Report of the Company for the financial year ended 30 September 2014.

3. To elect as a Director Richard Haley.

4. To elect as a Director Hugo Drayton

5. To re-elect as a Director Peter Allen.

6. To re-elect as a Director Zillah Byng-Maddick.

7. To re-elect as a Director Manjit Wolstenholme.

8. To re-elect as a Director Mark Wood.

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 shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

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 £2,225,000 (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 £1,112,500 (such amount to be reduced by the nominal

# Notice of Annual General Meeting

amount of any equity securities allotted under paragraph 11.1 above in excess of £1,112,500), 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 2016 (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 2016.

**Special resolutions**

13. That, subject to the passing of resolution 11, the Directors be and are hereby authorised pursuant to Article 3.2 and 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 provided that such authority shall be limited to:

(a) the allotment of equity securities in connection with an offer by way of a rights issue, open offer or pre-emptive offer to holders of Ordinary shares on the register of members of the Company on a date fixed by the Directors where the equity securities to be allotted to existing shareholders shall be 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 £166,889 (representing just under 5% of the issued share capital of the Company as at 11 December 2014) and such authority shall expire at the conclusion of the Company's next Annual General Meeting or, if earlier, on 31 March 2016 (save that the Company may before the expiry of such authority 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).

14. 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

**Richard Haley**
Chief Financial Officer
and Company Secretary
11 December 2014

# 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, 1-10 Praed Mews, London W2 1QY, in sufficient time for registration. 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 10:30am on Monday 2 February 2015 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.investorcentre.co.uk/eproxy.

   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 10:30am on Monday 2 February 2015.

## Number of shares in issue

5. As at the close of business on 11 December 2014 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 333,785,022 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 333,785,022.

## Documents available for inspection

6. Printed copies of the service contracts of the Company's Directors and the letters of appointment for the non-executive Directors will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) at the Company's London office at

   1- 10 Praed Mews,
   London,
   W2 1QY

   and at the Company's registered office at

   Quay House,
   The Ambury,
   Bath,
   BA1 1UA

   including on the day of the meeting from 10:15am until its completion.

## 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 2 February 2015 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 2 February 2015, 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.

# Notice of Annual General Meeting

## 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 10:30am on Monday 2 February 2015, 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).

## 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 auditors' 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

    Company Secretary,
    Future plc,
    Quay House,
    The Ambury,
    Bath BA1 1UA;

    or by fax to +44(0)1225 732266

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.

# Investor information

For enquiries of a general nature regarding the Company and for investor relations enquiries please contact Richard Haley at the Company's Registered Office, or visit www.futureplc.com and select the investor relations section.

### Registered office

Future plc
Quay House
The Ambury
Bath BA1 1UA

Tel +44 (0)1225 442244

**www.futureplc.com/investors**

## 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 FCA before getting involved by visiting **www.fca.org.uk/register**
- Report the matter to the FCA either by calling **0800 111 6768** or by completing the fraud reporting form on the FCA website at: **www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams/reporting-form**
- 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.

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

**Zillah Byng-Maddick**
Chief Executive

**Richard Haley**
Chief Financial Officer
and Company Secretary

**Manjit Wolstenholme**
Senior independent non-executive Director

**Mark Wood**
Non-executive Director

**Hugo Drayton**
Non-executive Director

## Offices

**Registered office**
Future plc
Quay House
The Ambury
Bath BA1 1UA
Tel +44 (0)1225 442244

**London Office**
1-10 Praed Mews
London W2 1QY
Tel +44 (0)20 7042 4000

**www.futureplc.com**

Company registration number 3757874
Registered in England and Wales

## Advisers

**Independent auditors**
PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
31 Great George Street
Bristol BS1 5QD

**Broker**
Numis Securities Ltd
10 Paternoster Square
London EC4M 7LT

**Principal bankers**
Barclays Bank plc
1 Churchill Place
London E14 5HP

**Solicitors**
Norton Rose Fulbright 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**
21 November 2014

**Annual General Meeting**
4 February 2015

**Half-year end**
31 March 2015

**Announcement of interim results**
May 2015

**Financial year-end**
30 September 2015

# Future brands include:

Computer Arts Design Matters
Computer Music
Creative Bloq
Digital Camera
Edge
FutureMusic
GamesMaster
gamesradar+
Gizmodo UK
Guitarist
Guitar Techniques
Fantasy & Sci-Fi Digital Art ImagineFX
Mac Format
Maximum PC
musicradar.
net
N-Photo 100% Nikon 100% Independent
PC Format
PC Gamer
PhotoPlus
PlayStation Official Magazine - UK
Rhythm
SFX
techradar.
The Photography Show
Total Film
Total Guitar
T3
Xbox The Official Magazine
3D World

MIX
Paper from responsible sources
FSC® C015706
www.fsc.org

Designed and produced by Future.

## Contacts

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South San Francisco
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**www.futureplc.com**