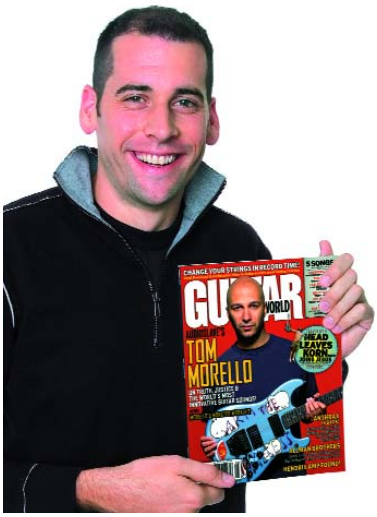
Future plc
Interim Report 2005



Future is all about innovation. We publish high-quality, special-interest consumer magazines for people with a passion.

Our new name

This is the first report issued to shareholders using our new company name Future plc. In January 2005 we formally shortened the name from The Future Network plc to Future plc. The introduction of the new name was designed to aid clarity, especially as so many people already referred to the Company simply as Future.

At the same time we took the opportunity to refresh our corporate look, creating a single Future identity with one strong design throughout the Group. The new identity has great impact and suits our bold, confident name. Most importantly, it was produced from within Future by one of our design directors.

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Definitions:
Adjusted results are presented to provide a better indication of overall financial performance and to reflect how the business is run on a day-to-day basis. The only adjustments made are to remove goodwill amortisation and exceptional items, including profit on disposal of subsidiaries.

Highlights

Financial highlights for half-year to 31 March 2005

Adjusted results

	Reported change	Constant currency change
Turnover £104.3m (2004: £98.9m)	Up 5%	Up 7%
Circulation revenue	Up 6%	Up 7%
Advertising revenue	Up 5%	Up 7%
Adjusted pre-tax profit £12.8m (2004: £12.7m)	Up 1%	Up 3%
Adjusted earnings per share 3.2p (2004: 3.0p)	Up 7%	Up 10%
Interim dividend of 0.5 pence per share	New	New

Statutory results

Turnover £104.3m (2004: £98.9m)
Goodwill amortisation £10.0m (2004: £8.0m)
Pre-tax profit £1.3m (2004: £4.7m)
(Loss)/earnings per share 0.3p (2004: 0.6p)
Interim dividend of 0.5 pence per share

Circulation revenue

Up 6%

2005 £70.9m
2004 £67.0m

Advertising revenue

Up 5%

2005 £31.3m
2004 £29.7m

Adjusted pre-tax profit

Up 1%

2005 £12.8m
2004 £12.7m

Adjusted earnings per share

Up 7%

2005 3.2p
2004 3.0p

Other highlights

- Two largest businesses, in UK and US, achieved 9% and 8% revenue growth respectively in constant currency
- Like-for-like Group revenue (excluding acquisitions made during the six months to 31 March 2005) increased by 5% in constant currency
- New product development spend to be increased by over £1m to circa £3m for year to September 2005
- 16 titles acquired and four launched in first half. Nine launches due in second half
- Games revenues and profits both slightly up in constant currency at half-year stage
- Significant expansion and diversification of Group planned through £30.5m acquisition of 38 titles from Highbury, expected to complete in June

Interim report

Summary

This is an important year for the Group in our stated plan to double the size of the business in terms of both revenues and profits in the next four years. We have achieved much in the financial year to date. We have been very busy developing, launching and acquiring. During the current financial year we have acquired 16 titles, will have launched 13 new magazines and have agreed to buy 38 more. Whilst we have continued to build scale and diversify our magazine portfolio, first half adjusted earnings per share have increased by 7% and, as indicated last year, we are introducing an interim dividend, of 0.5 pence per share.

Financial results for half-year to 31 March 2005

Group turnover was £104.3m, 5% up on 2004 and 7% up in constant currency. Adjusted profit before tax was marginally ahead at £12.8m (2004: £12.7m). Our results for the first half, which were enhanced by £1.6m of profit on the disposal of certain non-trading subsidiaries, but held back by exceptional costs including £2.2m for our aborted bid for Highbury House, also show a goodwill amortisation charge of £10.0m (2004: £8.0m): the increase arises from acquisitions made during the second half of 2004 and the first half of 2005. After all of these items, the Group's pre-tax profit in the first half was £1.3m (2004: £4.7m). Adjusted earnings per share were 3.2 pence (2004: 3.0 pence), an increase of 7%.

Interim dividend

As indicated in our Annual Report last year, we are introducing an interim dividend for the first time. After taking into account the results for the first half, we have decided that the interim dividend will be one third of last year's total dividend of 1.5 pence. The interim dividend of 0.5 pence per share will be paid on 11 July 2005 to all shareholders on the register on 24 June 2005. The ex-dividend date is 22 June 2005.

Magazine portfolio and new product development

During the half-year to 31 March 2005, we spent £8.7m on four acquisitions which contributed for only a small part of the period: the contribution to the Group's results was turnover of £2.5m and adjusted operating profit of £0.1m. These titles are being integrated into the Group and this gave rise to exceptional costs of £0.8m. After allowing for integration issues, overall performance of our recent acquisitions is in line with our expectation.

As at 31 March 2005 the Group published more than 110 regular special-interest magazines and following the expected acquisition of the titles from Highbury in June the total number will rise to over 150. Prior to this, the top 10 titles in the half-year accounted for 34% of Group turnover (2004: 39%).

Net spend on new product development (launches of titles and websites during the period) in the first half-year was £0.7m (2004: £1.3m) and total spend in the current year is expected to increase by over £1.0m to circa £3.0m. At this level new product development spend represents 1.5% of turnover.

Analysis of turnover for half-year to 31 March

	% of Group	**2005 £m**	2004 £m	Change %
UK	53%	**55.8**	51.6	Up 8%
US	26%	**27.1**	26.6	Up 2%
Mainland Europe	21%	**22.0**	21.8	Up 1%
Intra-group	–	**(0.6)**	(1.1)	–
Group turnover	**100%**	**104.3**	**98.9**	**Up 5%**

In constant currencies the half-year turnover is shown below:

	% of Group	**2005 £m**	2004 £m	Change %
UK	53%	**56.0**	51.6	Up 9%
US	27%	**28.7**	26.6	Up 8%
Mainland Europe	20%	**21.8**	21.8	–
Intra-group	–	**(0.6)**	(1.1)	–
Group turnover	**100%**	**105.9**	**98.9**	**Up 7%**

Analysis of results by segment

The table below analyses the Group's turnover for the six months to 31 March 2005 by segment.

Proportion of Group	UK	US	Mainland Europe	Group
Games	18%	14%	12%	44%
Computing	13%	6%	9%	28%
Entertainment	22%	6%	–	28%
Total	53%	26%	21%	100%

Performance of recent acquisitions

During the two years to 30 September 2004 we spent £22.4m on six acquisitions. In the half-year to 31 March 2005 these acquired titles generated turnover of £13.7m and adjusted operating profit of £2.1m.

Analysis of Group pre-tax profit for half-year

	2005 £m	2004 £m	Change £m
UK	**9.6**	9.2	0.4
US	**2.7**	3.4	(0.7)
Mainland Europe	**1.8**	1.6	0.2
Central costs	**(1.4)**	(1.3)	(0.1)
Adjusted operating profit	**12.7**	**12.9**	**(0.2)**
Profit on disposal of subsidiaries	**1.6**	–	1.6
Exceptional charges	**(3.1)**	–	(3.1)
Net interest receivable/(payable) and similar items	**0.1**	(0.2)	0.3
Goodwill amortisation	**(10.0)**	(8.0)	(2.0)
Pre-tax profit	**1.3**	**4.7**	**(3.4)**

Currency effect on half-year profits

The average value of the Dollar against Sterling declined by 6% compared with the first half last year, so that our revenue growth in Dollar terms was stronger than that reported in Sterling. The average value of the Euro against Sterling in the half-year strengthened by less than 1%. The Group impact of adverse currency movements held back adjusted operating profits by £0.3m.

UK performance in half-year

	2005 £m	2004 £m	Change %
Circulation revenue	**39.0**	37.0	5%
Advertising revenue	**14.7**	12.1	21%
Other revenue	**2.1**	2.5	(16%)
Turnover	**55.8**	51.6	8%
Adjusted operating profit	**9.6**	9.2	4%
Adjusted operating profit margin	***17%***	*18%*	

UK turnover for the half-year rose by 8%, reflecting organic growth of 3% and increased levels of acquisition and launch activity. The titles acquired contributed for only the latter months, accounting for turnover of £2.5m and adjusted operating profit of £0.2m. Integration costs arising from these acquisitions gave rise to exceptional costs of £0.8m.

We continued to diversify our UK portfolio, including the acquisition of 11 motoring titles, two parenting titles, a wedding title and one computing title in the period. This portfolio expansion is also reflected in our launch programme, which includes *Simply Knitting*, *Computer Upgrade* and *Scrapbook Inspirations*.

As announced in February, ABC newsstand sales for 2004 highlighted the continuing diversification of the overall portfolio as well as growth in the music-making, music-listening, motoring, stitching and home entertainment sectors. Additionally there was a steady performance for games magazines and development and adaptation of the computing portfolio. The UK games portfolio showed a 5.7% rise, entertainment magazines were up 3.4%, and the computing portfolio showed a 0.4% rise, all including acquisitions and first time ABCs. More recent circulation trends indicate slight weakening in newsstand.

Our UK online business generated turnover of £0.8m and adjusted operating profit of £0.3m.

During the first half-year, we completed the relocation of most of our 650 employees in Bath to Quay House which we have contracted to lease for 23 years.

Later this month, we expect to take ownership of the titles to be acquired from Highbury (as explained later) and following this transaction, we will employ an additional 200 staff, bringing our total number of employees in London to more than 350. We are currently seeking appropriate office space in London in order to relocate both existing and new staff to one location. As previously explained, this may lead to a property provision.

Export and licensing activity

UK exports totalled £6.1m (2004: £5.9m). The weakening of the US Dollar held back export revenues by £0.2m, primarily in games and computing. Third-party licensing revenue receivable by the Group in the half-year was £1.5m, up 7% on 2004.

US performance in half-year

	2005 $m	2004 $m	Change %
Circulation revenue	**27.6**	24.1	15%
Advertising revenue	**22.3**	21.9	2%
Other revenue	**0.9**	1.2	(25%)
Turnover	**50.8**	47.2	8%
Adjusted operating profit	**5.1**	6.1	(16%)
Adjusted operating profit margin	***10%***	*13%*	

US turnover rose by 8% as we continued to diversify our US portfolio, which now serves four special-interest areas: games, computing, music and action sports. We established our action sports division, based in San Diego, in the first half, acquired *Snowboard Journal* and will launch *Future Snowboarding* in the late summer. *Future Music* was launched in March and during the second half we will launch *Scrapbook Answers*.

As previously indicated, US games advertising revenue in the quarter to December was below its level for the previous year. By contrast, in the quarter to March, games advertising revenue exceeded our expectation.

First-half results are stated after reduced losses of $0.4m from *Mobile*, which was launched in January 2004, and its operating performance is satisfactory at this stage.

Future has grown to become the 12th largest magazine publisher at newsstand in 2004 (source: *Circulation Management* magazine).

New product development, together with our new San Diego office, accounted for $0.9m of expenditure in the first half. New product development expenditure in the second half will be greater.

On 12 May we acquired CheatPlanet (*www.cheatplanet.com*), the US computer games website, for a cash consideration of $8.7m. Launched in 1997, *www.cheatplanet.com* is the number one cheat site (by site visitors and page views) and is the fourth largest computer games website in the US. For 2004, CheatPlanet generated revenues of $0.9m and pre-tax profits of $0.8m.

This acquisition was the first step in our plans to increase our Internet presence and develop our games website activities in the US. We will make further investment in this area in the second half and also in the next financial year.

Mainland Europe performance in half-year

	2005 €m	2004 €m	Change %
Circulation revenue	**24.8**	23.8	4%
Advertising revenue	**6.8**	7.6	(11%)
Other revenue	**0.1**	0.2	(50%)
Turnover	**31.7**	31.6	–
Adjusted operating profit	**2.6**	2.2	18%
Adjusted operating profit margin	***8%***	*7%*	

The excellent progress made last year in France has been maintained. Adjusted operating profit for Mainland Europe is stated after intra-group licence fees of €0.6m (2004: €1.0m).

Games magazine performance exceeded our expectations in both France and Italy whereas the performance of computing titles has been below expectation.

In March we launched a new computing title, *Micro Actuel*, in France, and early signs for both circulation and advertising are encouraging. This is Future's largest magazine launch this year.

Exceptional items

These amounted to £3.1m (2004: £Nil) representing £2.2m of aborted bid costs (see below), £0.8m of restructuring costs associated with UK acquisition activity in the first half-year, and £0.1m of restructuring costs within the existing UK business.

Aborted bid for Highbury House Communications plc ('Highbury')

On 14 February 2005 Future announced a recommended share offer (with a partial cash alternative) to acquire the whole of Highbury. This was a Class One transaction for Future and shareholders in Future voted in favour of it at an EGM held on 31 March 2005 when more than 80% of all shares in Future were voted and of these, more than 99% were in favour.

On 14 April 2005 the Office of Fair Trading announced that it had referred the recommended share offer to the Competition Commission. On 15 April 2005 Future announced that it no longer intended to pursue this transaction. On 28 April 2005 the Competition Commission announced that it had formally cancelled the reference.

The external professional fees and other costs of the aborted bid totalled £2.2m.

Agreement to buy 38 titles from Highbury for £30.5m

On 29 April Future announced that it had entered into an agreement with the Board of Highbury to acquire 38 magazine titles, and associated assets, for a cash consideration of £30.5m, to be funded from Future's committed bank facilities.

This acquisition is conditional upon shareholder approval from Highbury shareholders at an Extraordinary General Meeting convened for 16 June. If approved, it is expected that Future will gain ownership of these titles on 21 June 2005.

The titles being acquired include *Fast Car*, *Fast Bikes*, *DJ*, *DVD Review*, the *What Video* group of magazines and Highbury's puzzle magazines. Additionally, the deal includes Highbury's US business which publishes five magazines. Highbury management accounts for the year ended 31 December 2004 show that: (a) the assets being acquired generated unaudited aggregated turnover of approximately £34.1m; (b) the unaudited aggregated profit (before interest, taxation and amortisation) attributable to these assets was approximately £5.3m; and (c) the unaudited aggregated net assets relating to the transaction were estimated at £20.1m of which approximately £18.4m related to intangible publishing rights.

This transaction has several of the attractions of the larger one with Highbury from which we withdrew in April. We built up considerable knowledge of Highbury's portfolio over the past few months and were thus able to move swiftly. We anticipate that a number of the benefits identified in relation to the previous offer for the whole of Highbury, in particular further diversification of Future's portfolio and the benefits from increased financial and operational scale, are applicable to the acquisition of these Highbury assets. There has been thorough integration planning including on projected cost savings which are expected to be circa £0.5m in a full year. In time we see further growth prospects for launching from this new portfolio.

None of the titles being acquired is a games title. As a result of this deal, the estimated split of the Group's revenues is likely to become games 38%; entertainment 34%; and computing 28%.

For the financial year to 30 September 2006, Future anticipates that this acquisition will enhance adjusted earnings per share (this statement does not constitute a profit forecast nor should it be interpreted to mean that future earnings per share of Future following this transaction will necessarily match or exceed historical earnings per share of Future) and Future expects to achieve a post-tax return on this investment in excess of its weighted average cost of capital.

New bank facility

Future is a strongly cash-generative business and has had no net debt during the last three years. In February 2005 we signed a £120m Credit Agreement with Barclays in connection with Future's recommended Offer for Highbury. After this Offer lapsed, we signed a Credit Agreement with Barclays in April for £90m, enabling us to complete the Highbury transaction and providing a £60m revolving credit facility at the same time.

Profit on disposal of subsidiaries

During the period, the Group sold three wholly-owned subsidiary companies for a total cash consideration of £1.7m. After accounting for associated costs of disposal, the profit on disposal of subsidiaries was £1.6m. The companies disposed of contained capital tax losses which were surplus to Future's requirements.

Net cash and capital expenditure

The Group started the half-year with net cash of £9.8m and, during the period, the Group paid out a net £7.4m in respect of acquisitions and disposals, £4.9m in respect of its second dividend, £2.2m in tax, and £0.6m for capital expenditure. The Group's operations for the half-year generated a net cash inflow from operating activities of £11.4m and the Group ended the half-year with net cash of £6.7m.

Leasehold property

The Group balance sheet contains property provisions totalling £0.6m (September 2004: £0.9m).

Tax

The tax charge for the period amounted to £2.2m which represents an effective tax rate for the half-year of 19% (2004: 23%), ignoring goodwill amortisation. During the period, Mainland Europe profits were again effectively tax-free, reflecting the benefit of accumulated tax losses: this benefit should continue for some years. This 19% rate is similar to the Group's estimate of the effective tax rate likely to apply to taxable profits for the financial year ending on 30 September 2005.

Quarterly performance

The table below provides a quarterly analysis of the pro forma results for the 12 months to September 2004, together with the corresponding quarterly figures to March 2005.

	Quarter to December £m	Quarter to March £m	Quarter to June £m	Quarter to September £m	Total £m
Turnover					
12 months to 30 September 2004	57.4	41.5	45.6	45.9	190.4
Six months to 31 March 2005	**58.0**	**46.3**	**–**	**–**	**104.3**
Adjusted operating profit					
12 months to 30 September 2004	10.5	2.4	4.7	6.0	23.6
Six months to 31 March 2005	**11.1**	**1.6**	**–**	**–**	**12.7**

Impact of International Financial Reporting Standards (IFRS)

In our Annual Reports for 2003 and 2004 we updated shareholders on the impact of IFRS which will apply to Future's interim results for the six months to 31 March 2006 and the full year results to 30 September 2006. As previously explained, the areas of IFRS which are expected to have the most significant impact on Future's financial results relate to: (a) purchased goodwill, which will cease to be amortised over its estimated useful life: instead we will perform annual impairment reviews of goodwill; and (b) share-based payments. We do not expect IFRS to have any significant impact on Future's dividend policy or ability to make dividend payments.

Trading outlook

This is an important year for the Group in our stated plan to double the size of the business in terms of both revenues and profits in the next four years. We have achieved much in the financial year to date. We have been very busy developing, launching and acquiring. During the current financial year we have acquired 16 titles, will have launched 13 new magazines and have agreed to buy 38 more. Whilst we have continued to build scale and diversify our magazine portfolio, first half adjusted earnings per share have increased 7% and, as indicated last year, we are introducing an interim dividend, of 0.5 pence per share.

The actions that we have taken this year will expand Future UK by over a third. In the US, we have also expanded our magazine portfolio further by both acquisition and launches. We are developing our Internet presence following last month's acquisition of *www.cheatplanet.com*.

Trading in the second half has begun a little below our expectations and our short-term outlook is therefore cautious. Second half performance is likely to be affected to some degree by reported weakness in consumer demand. However on advertising, Future is less exposed to any downturn in general advertising than some in the media sector.

We are committed to ensuring the continued growth of the business through acquisitions and increased new product development spend on launches and Internet expansion. The games sector continues to perform well for us and faces significant growth from 2006. More generally, we are enthused by the multiple growth opportunities facing Future.

More immediately, and assuming approval by Highbury shareholders, we look forward to welcoming the people who work on the Highbury titles. These are classic special-interest magazines which will be great additions to the Future portfolio.

Roger Parry, non-executive Chairman
Greg Ingham, Chief Executive
John Bowman, Group Finance Director
Michael Penington, senior independent non-executive Director
Patrick Taylor, independent non-executive Director
Lisa Gordon, independent non-executive Director
John Mellon, independent non-executive Director

14 June 2005

Group profit and loss account

for the six months ended 31 March 2005

	Note	Continuing operations £m	Acquisitions £m	6 months to 31 March 2005 Total £m	6 months to 31 March 2004 Total £m	12 months to 30 September 2004 Total £m
Turnover	1	**101.8**	**2.5**	**104.3**	98.9	190.4
Operating profit						
Operating profit before exceptional items and amortisation of intangible assets		**12.6**	**0.1**	**12.7**	12.9	23.6
Exceptional items	2	**(2.3)**	**(0.8)**	**(3.1)**	–	–
Amortisation of intangible assets	2,8	**(9.1)**	**(0.9)**	**(10.0)**	(8.0)	(16.6)
Operating profit/(loss)	2	**1.2**	**(1.6)**	**(0.4)**	4.9	7.0
Profit on disposal of subsidiaries	2			**1.6**	–	0.2
Profit on ordinary activities before interest				**1.2**	4.9	7.2
Net interest receivable/(payable) and similar items	4			**0.1**	(0.2)	–
Profit on ordinary activities before tax	1			**1.3**	4.7	7.2
Tax on profit on ordinary activities	5			**(2.2)**	(2.9)	(4.7)
(Loss)/profit for the financial period	16			**(0.9)**	1.8	2.5
Dividends	6					
– December 2003 paid				**–**	(4.0)	(4.0)
– September 2004 paid				**–**	–	(4.9)
– March 2005 proposed	16			**(1.6)**	–	–
Retained loss for the financial period				**(2.5)**	(2.2)	(6.4)

Earnings per 1 pence Ordinary share

	Note	6 months to 31 March 2005 pence	6 months to 31 March 2004 pence	12 months to 30 September 2004 pence
Basic (loss)/earnings per share	7	**(0.3)**	0.6	0.8
Adjusted basic earnings per share	7	**3.2**	3.0	5.8
Diluted (loss)/earnings per share	7	**(0.3)**	0.6	0.8
Adjusted diluted earnings per share	7	**3.2**	3.0	5.8

Group statement of total recognised gains and losses

for the six months ended 31 March 2005

	Note	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
(Loss)/profit for the period	16	**(0.9)**	1.8	2.5
Dividend – December 2003 paid		**–**	(4.0)	(4.0)
Dividend – September 2004 paid		**–**	–	(4.9)
Dividend – March 2005 proposed	16	**(1.6)**	–	–
Retained loss for the period		**(2.5)**	(2.2)	(6.4)
Net exchange adjustments offset in reserves		**–**	(0.1)	–
Release of pre-acquisition loan		**–**	–	1.0
Tax on release of pre-acquisition loan		**–**	–	(0.4)
Unwinding of licensing obligation		**–**	–	0.1
Total recognised loss relating to the period		**(2.5)**	(2.3)	(5.7)

Group reconciliation of movements in shareholders' funds

for the six months ended 31 March 2005

	Note	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
(Loss)/profit for the period	16	**(0.9)**	1.8	2.5
Dividend – December 2003 paid		**–**	(4.0)	(4.0)
Dividend – September 2004 paid		**–**	–	(4.9)
Dividend – March 2005 proposed	16	**(1.6)**	–	–
Retained loss for the period		**(2.5)**	(2.2)	(6.4)
Share options exercised	16	**0.1**	–	–
Premium on shares issued during the period	16	**0.5**	0.6	0.9
Net exchange adjustments offset in reserves		**–**	(0.1)	–
Release of pre-acquisition loan		**–**	–	1.0
Tax on release of pre-acquisition loan		**–**	–	(0.4)
Unwinding of licensing obligation		**–**	–	0.1
Net movement in shareholders' funds		**(1.9)**	(1.7)	(4.8)
Opening equity shareholders' funds		**107.7**	112.5	112.5
Equity shareholders' funds as at end of period		**105.8**	110.8	107.7

Group balance sheet

as at 31 March 2005

	Note	31 March 2005 £m	31 March 2004 £m	30 September 2004 £m
Fixed assets				
Intangible assets	8	**108.5**	112.4	108.4
Tangible assets	9	**3.6**	3.4	3.5
		112.1	115.8	111.9
Current assets				
Stocks	10	**5.6**	4.7	5.0
Debtors	11	**40.6**	31.8	39.5
Investments	12	**–**	3.4	2.5
Cash at bank and in hand		**10.4**	21.1	12.0
		56.6	61.0	59.0
Creditors: amounts falling due within one year	13	**(61.8)**	(64.5)	(62.3)
Net current liabilities		**(5.2)**	(3.5)	(3.3)
Total assets less current liabilities		**106.9**	112.3	108.6
Provisions for liabilities and charges	14	**(1.1)**	(1.5)	(0.9)
Net assets		**105.8**	110.8	107.7
Capital and reserves				
Called up share capital	15	**3.3**	3.2	3.2
Share premium account	16	**24.2**	0.6	23.7
Merger reserve	16	**109.0**	109.0	109.0
Other reserves	16	**–**	21.9	–
Profit and loss account	16	**(30.7)**	(23.9)	(28.2)
Equity shareholders' funds		**105.8**	110.8	107.7

Group cash flow statement

for the six months ended 31 March 2005

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
Net cash inflow from operating activities	**11.4**	16.8	17.7
Returns on investments and servicing of finance			
Interest received	**0.3**	0.4	0.6
Interest paid	**(0.2)**	(0.3)	(0.4)
Net cash inflow from returns on investments and servicing of finance	**0.1**	0.1	0.2
Tax			
Tax paid	**(3.6)**	(5.2)	(6.6)
Tax received	**1.4**	0.5	0.8
Net tax paid	**(2.2)**	(4.7)	(5.8)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**(0.6)**	(0.7)	(1.4)
Net cash outflow from capital expenditure and financial investment	**(0.6)**	(0.7)	(1.4)
Acquisitions and disposals			
Purchase of subsidiary undertakings	**(8.6)**	(3.3)	(3.3)
Net cash acquired with subsidiary undertakings	**0.8**	–	–
Purchase of magazine titles	**(0.9)**	(1.6)	(5.6)
Purchase of trademarks	**(0.2)**	–	–
Payment of deferred consideration	**(0.1)**	–	(0.7)
Disposal of subsidiary undertakings	**1.6**	–	0.2
Net cash outflow for acquisitions and disposals	**(7.4)**	(4.9)	(9.4)
Dividends			
Equity dividends paid	**(4.9)**	–	(4.0)
Net cash outflow from payment of dividends	**(4.9)**	–	(4.0)
Management of liquid resources			
Decrease in short-term deposits with bank	**2.5**	5.6	6.5
Net cash inflow from management of liquid resources	**2.5**	5.6	6.5
Net cash (outflow)/inflow before financing	**(1.1)**	12.2	3.8
Financing			
Proceeds from issue of Ordinary share capital	**0.6**	0.6	0.9
Draw down of bank loans	**4.0**	0.6	–
Movement in other loan	**–**	(0.1)	(0.5)
Repayment of bank loans	**(4.8)**	(0.6)	(0.3)
Net cash (outflow)/inflow from financing	**(0.2)**	0.5	0.1
(Decrease)/increase in cash in the period	**(1.3)**	12.7	3.9

Notes to the Group cash flow statement

for the six months ended 31 March 2005

A. Cash flow from operating activities

The reconciliation of operating (loss)/profit to net cash inflow from operating activities is as follows:

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
Operating (loss)/ profit	**(0.4)**	4.9	7.0
Depreciation charge	**0.7**	0.8	1.5
Amortisation of intangible assets	**10.0**	8.0	16.6
Movement in provisions	**(0.4)**	(0.5)	(1.2)
Increase in stocks	**(0.5)**	(0.1)	(1.4)
(Increase)/decrease in debtors	**(1.3)**	4.6	(1.6)
Increase/(decrease) in creditors	**3.3**	(0.9)	(3.2)
Net cash inflow from operating activities	**11.4**	16.8	17.7

B. Analysis of net cash

	At 1 October 2004 £m	**Cash flow £m**	**Acquisitions £m**	**Exchange movements £m**	**At 31 March 2005 £m**
Cash at bank and in hand	12.0	(2.4)	1.1	(0.3)	**10.4**
Overdrafts	–	0.3	(0.3)	–	**–**
Debt due within one year	(4.7)	0.8	–	0.2	**(3.7)**
Liquid resources	2.5	(2.5)	–	–	**–**
Net cash	**9.8**	**(3.8)**	**0.8**	**(0.1)**	**6.7**

C. Reconciliation of movement in net cash

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
Net cash at start of period	**9.8**	10.4	10.4
(Decrease)/increase in cash	**(2.4)**	12.7	3.9
Cash acquired with subsidiaries	**1.1**	–	–
Overdraft acquired with subsidiaries	**(0.3)**	–	–
Movement in overdraft	**0.3**	–	–
Movement in deposits	**(2.5)**	(5.6)	(6.5)
Movement in borrowings	**0.8**	0.1	0.8
Non-cash movements	**–**	–	1.0
Exchange movements	**(0.1)**	0.5	0.2
Net cash at end of period	**6.7**	18.1	9.8

Accounting policies

Basis of preparation of accounts

The results for the six months ended 31 March 2005 and 2004 and the 12 months to 30 September 2004 are unaudited. In 2004 the Group changed its financial year end to 30 September from 31 December and the audited results for the nine month period ended 30 September 2004, upon which an unqualified audit report was given, have been delivered to the Registrar of Companies. The Interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The accounting policies are as stated on pages 68 and 69 of the 2004 Annual Report.

International Financial Reporting Standards (IFRS) will apply for the first time to the Group's financial statements for the year ending 30 September 2006. As discussed in the 2004 Annual Report on pages 23 and 24, the Group is planning carefully for the introduction of IFRS and will continue to monitor applicable developments in this area.

Notes to the financial statements

1. Segmental reporting

The Group is involved in one class of business: the publication of magazines and related websites. The analysis of turnover by category, geographical analyses of turnover and profit before tax by origin were as follows:

a) Turnover by type

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
Circulation	**70.9**	67.0	129.8
Advertising	**31.3**	29.7	56.2
Other	**2.1**	2.2	4.4
Total	**104.3**	98.9	190.4

b) Turnover by origin

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
United Kingdom	**55.8**	51.6	100.4
United States	**27.1**	26.6	52.0
Mainland Europe	**22.0**	21.8	39.9
Turnover between segments	**(0.6)**	(1.1)	(1.9)
Total	**104.3**	98.9	190.4

c) Turnover by destination

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
United Kingdom	**47.5**	42.9	83.5
United States	**27.3**	27.5	53.6
Mainland Europe	**24.8**	25.6	46.0
Rest of the world	**5.3**	4.0	9.2
Turnover between segments	**(0.6)**	(1.1)	(1.9)
Total	**104.3**	98.9	190.4

d) Profit before tax by origin

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
United Kingdom	**3.9**	7.4	11.4
United States	**0.3**	0.8	0.4
Mainland Europe	**(0.5)**	(0.9)	(1.7)
Central costs	**(2.4)**	(2.6)	(2.9)
Total	**1.3**	4.7	7.2

2. Operating (loss)/profit

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
Turnover	**104.3**	98.9	190.4
Cost of sales	**(69.3)**	(64.3)	(126.3)
Gross profit	**35.0**	34.6	64.1
Distribution costs	**(6.9)**	(6.5)	(13.1)
Administration expenses	**(18.5)**	(15.2)	(27.4)
Amortisation of intangible assets	**(10.0)**	(8.0)	(16.6)
Total administration expenses	**(28.5)**	(23.2)	(44.0)
Operating (loss)/profit	**(0.4)**	4.9	7.0

Included in administration expenses above are the following exceptional items:

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
Aborted bid costs	**2.2**	–	–
Restructuring costs	**0.9**	–	–
Total	**3.1**	–	–

The aborted bid costs relate to the external professional fees and other costs of the aborted bid for the entire issued share capital of Highbury House Communications plc during the period.

The restructuring costs relate to the costs incurred whilst integrating the acquisitions of Beach Magazines and Publishing Limited and A&S Publishing Company Limited into the main Future UK business, and restructuring within the ongoing UK business.

During the period, the Group sold three wholly-owned subsidiary companies for a total consideration of £1.7m. After accounting for associated costs of disposal, the profit on disposal of subsidiaries was £1.6m. The companies disposed of contained capital tax losses which were surplus to Future's requirements.

3. Employees

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
Wages and salaries	**19.6**	16.2	32.8
Social security costs	**3.3**	2.9	5.6
Other pension costs	**0.3**	0.4	0.7
Total	**23.2**	19.5	39.1

4. Net interest receivable/(payable) and similar items

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
Interest payable on bank loans and overdrafts	**(0.1)**	(0.2)	(0.3)
Other interest payable	**–**	–	(0.1)
Interest payable and similar items	**(0.1)**	(0.2)	(0.4)
Interest receivable	**0.3**	0.4	0.6
Exchange losses	**(0.1)**	(0.4)	(0.2)
Interest receivable and similar items	**0.2**	–	0.4
Net interest receivable/(payable) and similar items	**0.1**	(0.2)	–

5. Tax on profit on ordinary activities

The tax charge for the six months ended 31 March 2005 is based on the estimated effective rate of tax for the full year. The effective rate is assessed on a country by country basis and is applied to the profit before tax and amortisation but after exceptional items.

6. Dividends

Equity dividends	31 March 2005	30 September 2004	31 December 2003
Number of shares in issue at end of period (million)	**325.8**	324.5	320.7
Interim dividend proposed (pence)	**0.5**	–	–
Final dividend paid (pence)	**–**	1.5	1.25
Total dividend proposed/paid (£m)	**1.6**	4.9	4.0

7. Earnings per share

Basic earnings per share are calculated using the weighted average number of Ordinary shares outstanding during the period. 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 options held under employee share schemes.

The adjusted earnings per share removes the effect of the amortisation of intangible assets and exceptional items (including the profit on disposal of subsidiaries) from the calculation as follows:

Adjustments to profit on ordinary activities after tax

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
(Loss)/profit on ordinary activities after tax	**(0.9)**	1.8	2.5
Add: amortisation of intangible assets	**10.0**	8.0	16.6
Add: exceptional items	**3.1**	–	–
Less: profit on disposal of subsidiaries	**(1.6)**	–	(0.2)
Tax effect of the above adjustments	**(0.3)**	–	–
Adjusted profit on ordinary activities after tax	**10.3**	9.8	18.9

	6 months to 31 March 2005 £m	6 months to 31 March 2004 £m	12 months to 30 September 2004 £m
Weighted average number of shares outstanding during the period:			
– Basic	**324,850,523**	322,569,028	323,215,690
– Dilutive effect of share options	**1,125,610**	1,712,831	886,179
– Diluted	**325,976,133**	324,281,859	324,101,869
Basic (loss)/earnings per share (in pence)	**(0.3)**	0.6	0.8
Adjusted basic earnings per share (in pence)	**3.2**	3.0	5.8
Diluted (loss)/earnings per share (in pence)	**(0.3)**	0.6	0.8
Adjusted diluted earnings per share (in pence)	**3.2**	3.0	5.8

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

The adjustments to profit have the following effects on EPS:

	6 months to 31 March 2005 pence	6 months to 31 March 2004 pence	12 months to 30 September 2004 pence
Basic (loss)/earnings per share	**(0.3)**	0.6	0.8
Amortisation of intangible assets	**3.1**	2.4	5.1
Exceptional items	**1.0**	–	–
Profit on disposal of subsidiaries	**(0.5)**	–	(0.1)
Tax effect of the above adjustments	**(0.1)**	–	–
Adjusted basic earnings per share	**3.2**	3.0	5.8
Diluted (loss)/earnings per share	**(0.3)**	0.6	0.8
Amortisation of intangible assets	**3.1**	2.4	5.1
Exceptional items	**1.0**	–	–
Profit on disposal of subsidiaries	**(0.5)**	–	(0.1)
Tax effect of the above adjustments	**(0.1)**	–	–
Adjusted diluted earnings per share	**3.2**	3.0	5.8

8. Intangible fixed assets

Group	Goodwill £m
Cost	
At 1 October 2004	324.8
Additions	10.4
Exchange adjustments	(0.6)
At 31 March 2005	**334.6**
Amortisation	
At 1 October 2004	(216.4)
Charge for the period	(10.0)
Exchange adjustments	0.3
At 31 March 2005	**(226.1)**
Net book value at 31 March 2005	**108.5**
Net book value at 30 September 2004	108.4

9. Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Equipment, fixtures and fittings £m	Total £m
Cost				
At 1 October 2004	2.4	6.8	1.3	10.5
On acquisition	–	–	0.1	0.1
Additions	–	0.5	0.1	0.6
Exchange adjustments	–	–	0.1	0.1
At 31 March 2005	**2.4**	**7.3**	**1.6**	**11.3**
Depreciation				
At 1 October 2004	(0.8)	(5.2)	(1.0)	(7.0)
Charge for the period	–	(0.6)	(0.1)	(0.7)
At 31 March 2005	**(0.8)**	**(5.8)**	**(1.1)**	**(7.7)**
Net book value at 31 March 2005	**1.6**	**1.5**	**0.5**	**3.6**
Net book value at 30 September 2004	1.6	1.6	0.3	3.5

10. Stock

	31 March 2005 £m	31 March 2004 £m	30 September 2004 £m
Raw materials	**2.1**	1.7	1.6
Work in progress	**2.2**	1.6	2.8
Finished goods	**1.3**	1.4	0.6
Total	**5.6**	4.7	5.0

11. Debtors

	31 March 2005 £m	31 March 2004 £m	30 September 2004 £m
Amounts falling due within one year:			
Trade debtors	**30.8**	22.1	31.0
Corporation tax recoverable	**0.6**	1.3	2.0
Other debtors	**4.0**	3.7	2.9
Prepayments and accrued income	**4.1**	3.7	2.7
	39.5	30.8	38.6
Amounts falling due after more than one year:			
Other debtors	**1.1**	1.0	0.9
Total	**40.6**	31.8	39.5

At 31 March 2005 a deferred tax asset has been recognised within other debtors as follows:

	31 March 2005 £m	31 March 2004 £m	30 September 2004 £m
Amounts falling due within one year	**0.9**	0.9	0.9
Amounts falling due after more than one year	**1.1**	0.9	0.9
Total	**2.0**	1.8	1.8

12. Current asset investments

	31 March 2005 £m	31 March 2004 £m	30 September 2004 £m
Short-term bank deposits	**–**	3.4	2.5
Total	**–**	3.4	2.5

13. Creditors: amounts falling due within one year

	31 March 2005 £m	31 March 2004 £m	30 September 2004 £m
Bank and other borrowings	**3.7**	6.4	4.7
Trade creditors	**14.6**	15.5	16.5
Corporation tax	**1.1**	0.9	2.1
Other creditors including taxation and social security	**10.2**	9.3	9.3
Accruals and deferred income	**30.1**	27.6	24.7
Proposed dividends	**1.6**	4.0	4.9
Deferred consideration for acquisitions	**0.5**	0.8	0.1
Total	**61.8**	64.5	62.3

14. Provisions for liabilities and charges

	Property and dilapidations £m	Restructuring £m	Total £m
At 1 October 2004	0.9	–	0.9
Charge in period	–	0.6	0.6
Utilised in period	(0.3)	(0.1)	(0.4)
At 31 March 2005	**0.6**	**0.5**	**1.1**

15. Called up share capital

Authorised share capital Ordinary shares of 1 pence each	£m
At 1 October 2004 and 31 March 2005	**6.0**

Allotted, issued and fully paid Ordinary shares of 1 pence each	No. of shares	£m
At 1 October 2004	324,476,926	3.2
Share options exercised	1,286,674	0.1
At 31 March 2005	**325,763,600**	**3.3**

16. Capital and reserves

	Called up share capital £m	Share premium account £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 October 2004	3.2	23.7	109.0	(28.2)	107.7
Exercise of share options	0.1	–	–	–	0.1
Premium on exercise of share options	–	0.5	–	–	0.5
Loss for the period	–	–	–	(0.9)	(0.9)
Dividend proposed	–	–	–	(1.6)	(1.6)
At 31 March 2005	**3.3**	**24.2**	**109.0**	**(30.7)**	**105.8**

17. Acquisitions

The results for the period include the undernoted contribution from acquisitions:

	What Laptop	Beach Magazines & Publishing Limited	A&S Publishing Company Limited	Snowboard Journal	
Country	UK	UK	UK	US	
Date acquired	30.11.04	03.12.04	24.01.05	26.01.05	
	£m	£m	£m	£m	**Total £m**
Turnover	0.2	1.2	1.1	–	**2.5**
Adjusted operating profit	0.1	–	0.1	(0.1)	**0.1**
Amortisation of intangible assets	(0.1)	(0.3)	(0.5)	–	**(0.9)**
Exceptional items	–	(0.1)	(0.7)	–	**(0.8)**
Operating loss	–	(0.4)	(1.1)	(0.1)	**(1.6)**

18. Post balance sheet events

Acquisition of CheatPlanet

On 12 May 2005 the Group's US subsidiary, Future Network USA, acquired CheatPlanet (*www.cheatplanet.com*) the US computer games website for a cash consideration of $8.7m (£4.6m). For the year ended 31 December 2004 CheatPlanet generated revenues of $0.9m and pre-tax profits of $0.8m.

Proposed acquisition of certain assets from Highbury House Communications plc

On 29 April 2005 Future announced that it had entered into an agreement with the Board of Highbury House Communications plc to acquire 38 magazine titles and associated assets for a cash consideration of £30.5m, to be funded from Future's committed bank facilities.

Highbury management accounts for the year ended 31 December 2004 show that: (a) the assets being acquired generated unaudited aggregated turnover of approximately £34.1m; (b) the unaudited profit (before interest, taxation and amortisation) attributable to these assets was approximately £5.3m; and (c) the unaudited aggregated net assets relating to the transaction were estimated at £20.1m of which approximately £18.4m related to intangible publishing rights.

The acquisition is conditional upon shareholder support from Highbury shareholders at an Extraordinary General Meeting, convened for 16 June and it is expected that, should the Highbury shareholders approve the transaction, Future will gain ownership of these titles on 21 June 2005.

Independent review report to Future plc

Introduction

We have been instructed by the Company to review the financial information which comprises the Group profit and loss account, Group balance sheet, Group statement of total recognised gains and losses, Group reconciliation of movements in shareholders' funds, Group cash flow statement and notes to the financial statements. We have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The Interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2005.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol

14 June 2005

Notes:

(a) The maintenance and integrity of the Future plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

2005 timetable

Half-year end	31 March 2005
Half-year results announced	14 June 2005
Half-year results mailed to shareholders	27 June 2005
Financial year end	30 September 2005
September results announced	December 2005
Results mailed to shareholders	December 2005

Directors and advisers

Directors

Roger Parry, non-executive Chairman
Greg Ingham, Chief Executive
John Bowman, Group Finance Director
Michael Penington, senior independent non-executive Director
Patrick Taylor, independent non-executive Director
Lisa Gordon, independent non-executive Director
John Mellon, independent non-executive Director

Company Secretary

Mark Millar

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Relations with shareholders and Company website

The Company's website, www.futureplc.com, contains up-to-date information on the Group's activities and the investor relations section includes a full copy of the interim and annual results, presentations provided to analysts, and an audio recording of the most recent such presentation made by executive Directors on 14 June 2005. Copies of these presentations are also available from the Company's registered office.

This report is printed on Mega matt, which is manufactured using up to 50% recovered fibres with the remaining pulp being TCF (totally chlorine free) and coming from sustainable forests. The paper is bio-degradable and produced in full accordance with the environmental laws in the country of manufacture. The paper mill and printers are accredited with ISO 14001.

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6. **Rob Smith** Editor-in-Chief, *Official Xbox Magazine* (US)