

Interim Report 2009

Future plc



Introduction

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‘The underlying strength of our special-interest business; our ability to mitigate revenue disappointment swiftly; and continuing progress in our strategy all give confidence that when the economic storm does finally clear, Future will be well-positioned to benefit’

Contents

Highlights	01
Chief Executive’s statement	02
Interim statement	04
Consolidated income statement	08
Consolidated statement of changes in equity	09
Consolidated balance sheet	10
Consolidated cash flow statement	11
Notes to the consolidated cash flow statement	12
Basis of preparation	13
Notes to the financial information	14
Statement of Directors’ responsibilities	20
Independent review report to Future plc	21
Key performance indicators	22
Directors and advisers	23
Financial calendar and contacts	24

Definitions

EBITA represents operating profit before amortisation of intangible assets.

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

Highlights

Financial and operating headlines:

- » EBITA on track for full year despite 2% H1 revenue decline (11% in constant currency)
- » Group H1 EBITA flat excluding reduction of £2.4m which reflects prudent ageing receivables provision and previously announced exceptional US newsstand disruption
- » UK H1 profit increased 3%
- » H1 results do not reflect full effect of cost savings now implemented
- » Investment increased: gross digital spend up 24%; three new magazine launches (*The Knitter*, *Triathlon Plus* and *Guitar Aficionado*)
- » Online advertising up 18%, now 24% of advertising revenue (up from 19% in H1 08)
- » Subscriptions revenue up 13%, customer publishing revenue up 11%
- » Net debt £22.8m. New £42m bank facility in place until November 2012, with significant headroom

Financial summary:

	H1 09	H1 08
Revenue	£76.6m	£78.3m
EBITA	£4.6m	£7.0m
EBITA margin	6%	9%
Operating profit	£2.6m	£5.2m
Pre-tax profit	£1.2m	£4.1m
Earnings per share	0.2p	0.8p
Adjusted earnings per share (p)	0.6p	1.2p
Dividends relating to the period (pence per share)	0.4p	0.5p

Chief Executive's statement



Stevie Spring

Chief Executive, Future plc
20 May 2009

At the end of last year, I stated my belief that Future was in the best shape it could be to deal with whatever challenges lay ahead in 2009. Since then the macroeconomic environment has continued to deteriorate – the general advertising market has declined steeply, consumer confidence has weakened and we've seen exceptional challenges at newsstand. These factors have without doubt tested our mettle, most notably in the US.

In spite of these conditions we're managing the challenge, and we're doing it in a way that is proportionate and does not damage our prospects for the future. Stripping out our prudent receivables provision and the exceptional US newsstand disruption, EBITA for the half is broadly flat: a good performance in a turbulent media sector. The underlying strength of our special-interest business; our ability to mitigate revenue disappointment swiftly; and continuing progress in our strategy all give me confidence that when the economic storm does finally clear, Future will be well-positioned to benefit.

As a special-interest publisher, the close relationships we have with our consumers – our 'prosumers' – are helping us in two important ways. First, we are leveraging these relationships to build greater engagement and greater loyalty across different platforms – both to protect us now and to position us well for the upturn. So even in the current market, 23 of our magazines recorded positive circulation growth in audited circulation for 2008. In the

UK, Future had 11 of the top 30 risers. Across the Group as a whole, seven of our top ten magazines increased their circulation last year.

These relationships are also helping us to protect yields – in cover price, subscriptions and advertising – because our prosumers and advertisers recognise the unique quality and value of the products they're investing in. At \$8.53, Future has the highest average cover price of any publisher in the US magazine market [source: *Audience Development Magazine, April 2009*]. In the UK, we've increased the cover price on 15 of our magazines in the last 12 months. In subscriptions, we've increased yields in both our UK and US businesses, up 30% overall in the first half (19% in constant currency) with no adverse impact on retention rates. And in advertising, we've maintained our yields.

Our UK business, which comprises 68% of Group revenue, reported improved EBITA of £7.4m in the first six months of FY09, despite a 6% revenue decline.

Across the Group, we've increased our gross investment in online by £1.4m and we've made good progress in all parts of our strategy, particularly diversifying and growing our digital revenues. Online advertising revenue increased by 18% (4% in constant currency); we've more than doubled unique monthly visitors to our websites in the last 12 months; we've increased digital customer publishing revenue by 11%; and doubled the number of online shopping partners. Online now represents 24% of total advertising revenue, up from 19% in H1 2008.



For the second half, we expect to offset the significant revenue shortfall in our US business through cost savings already implemented. This shortfall resulted from the double whammy of a steep decline in general advertising and an unexpected disruption to distribution of US newsstand magazines following a dispute among wholesalers and distributors in the North American magazine market which had a significant impact during February and March but which is now largely behind us.

Much of our effort in the past three years has been on diversifying our revenue streams beyond the traditional print-based model and this approach is giving us a greater degree of resilience than many of our peers. So while we've seen revenue reductions in newsstand and print advertising, we've seen growth in other parts of the business. In addition to digital revenue growth, we've grown subscriptions by 13% in the first half.

Additionally, Future's commercial partnerships continue to serve us well. During the first half, our customer publishing business, FuturePlus, secured a number of new clients and as a result revenues increased 11% year-on-year. Client wins have included BlackBerry, Coats and NVidia.

We've increased gross digital investment by 24% in the first half and launched three new magazines, *The Knitter*, *Triathlon Plus* and *Guitar Aficionado*.

Online, we've announced the launch of DailyRadar in North America. DailyRadar is a wholly-owned online network that combines editorial from all of Future's websites with 'Blips': topical, aggregated content. Together these Blips and Future's sites deliver not just traffic – more than 25 million unique users a month – but an engaged audience of early adopters. Reach and engagement with a young, male

audience: gold dust for advertisers. It's early days for DailyRadar, but it's another example of our 'do and learn' approach that is putting us ahead in digital.

The new magazine launches reflect our strategy of carefully targeted investments in new but adjacent verticals. Triathlon, the UK's fastest growing participation sport, is a natural extension for the world's no.1 cycling publisher. We already have strong relationships with both consumers and advertisers in this sector. As the UK's no.1 publisher in the crafts segment, launching *The Knitter* – a hard core product for hard core experts – was a logical move. Both of these new magazines are already ahead of target.

I'm also pleased to say that we're managing our debt position effectively. In H1 we have continued to focus on the management of working capital and on cost control. Excluding the impact of the stronger US Dollar, we reduced net debt by 7% compared with six months earlier. During the last three and a half years, despite continued investment in the business, we've reduced net debt by almost half and we now have a new bank facility in place through to November 2012.

While the current economic conditions look set to continue, our outlook for the near-term has to remain cautious. But we're still on track for the full year. And with appropriate and proportionate investment, with intense micro-management of our costs and with a sound strategic focus, we remain well-positioned for the mid-term.

Finally, I'd like to thank each and every one of the Future team for their energy, enthusiasm and commitment in helping us navigate these turbulent times.

Interim statement

Statutory results for half-year to 31 March 2009

First half-year revenue was £76.6m (2008: £78.3m) and the business generated EBITA of £4.6m (2008: £7.0m). The resultant EBITA operating margin was 6.0% (2008: 8.9%). The half-year income statement includes a charge for amortisation of intangible assets of £2.0m (2008: £1.8m) and net finance costs of £1.4m (2008: £1.1m), leading to a pre-tax profit of £1.2m (2008: £4.1m) for the period.

	2009	2008
Results for the period	£m	£m
Revenue	76.6	78.3
EBITA	4.6	7.0
EBITA margin	6.0%	8.9%
Amortisation of intangible assets	(2.0)	(1.8)
Operating profit	2.6	5.2
Net finance costs	(1.4)	(1.1)
Pre-tax profit	1.2	4.1
Earnings per share (p)	0.2p	0.8p
Adjusted earnings per share (p)	0.6p	1.2p
Dividends relating to the period (pence per share)	0.4p	0.5p

Group revenue was supported by currency fluctuations, particularly the US Dollar which strengthened against the pound by 25% compared with the first half last year. In constant currency terms, revenue fell by 11%. Analyses of revenue are provided on pages 4 and 5.

Group EBITA was held back due to a swing in the operating performance in the US, as explained later in this statement, and by a prudent £1.6m provision (2008: £0.2m) for ageing receivables. The impact of these factors is reflected in the following table:

Analysis of EBITA for half-year to 31 March

	2009	2008	Change
	£m	£m	£m
UK	7.4	7.2	0.2
US	(1.7)	1.1	(2.8)
Central costs	(1.1)	(1.3)	0.2
Total EBITA	4.6	7.0	(2.4)

The Group is managed primarily on a geographical basis.

Review of operations

The review of operations is based on a comparison of the half-year results for 2009 with those for 2008. There has been no significant change to the scope of the Group's activities and the trading environment continues to be challenging.

Analysis of revenue for half-year to 31 March

	Group	2009	2008	change	change
	%	£m	£m	%	%
Circulation	59%	45.4	46.6	-3%	-10%
Advertising	32%	24.5	25.3	-3%	-15%
Customer publishing	5%	4.0	3.6	+11%	+3%
Licensing, events & other	4%	3.5	2.9	+21%	+14%
Intra-group	-	(0.8)	(0.1)	-	-
Total revenue	100%	76.6	78.3	-2%	-11%

Constant currency (CC) change percentages represent the year-on-year change excluding the impact of foreign currency movements.

While total revenue fell by 2%, in constant currency terms revenue fell by 11%. Within this total the decline in US advertising revenue was the most significant factor during the period.

Geographical analysis of revenue for half-year to 31 March

	Group	2009	2008	change	change
	%	£m	£m	%	%
UK	68%	52.3	55.9	-6%	-8%
US	32%	25.1	22.5	+12%	-16%
Intra-group	-	(0.8)	(0.1)	-	-
Total revenue	100%	76.6	78.3	-2%	-11%

In the UK, revenue fell by 6%, but through cost mitigation, the EBITA operating result is ahead of last year. In the US, Dollar revenue fell by 16% and contributed to an operating loss for the US business for the first half, as explained opposite.

UK performance in half-year

	2009	2008	Change
	£m	£m	%
Circulation revenue	34.0	36.2	- 6%
Advertising revenue	13.1	14.4	- 9%
Customer publishing	2.6	2.7	- 4%
Licensing, events & other	2.6	2.6	-
Total revenue	52.3	55.9	- 6%
EBITA	7.4	7.2	+ 3%
EBITA margin	14%	13%	

Overall, UK revenue for the half-year fell by 6%. While circulation revenue fell by 6%, within this subscription revenue was up 9%, domestic newsstand revenue declined 14% and export revenue grew 3%.

Advertising revenue was 9% down while there was a small reduction in other sources of revenue as shown in the table above.

The following table shows performance by segment. Advertising weakness impacted across the portfolio.

	2009	2009	2009	2009	2008	2008	2008
	Revenue	Contrib'n	Margin	% of	Revenue	Contrib'n	Margin
	£m	£m	%	revenue	£m	£m	%
Games	12.1	4.1	34%	23%	13.5	5.1	38%
Music & Movies	11.8	3.2	27%	23%	11.6	2.7	23%
Technology	15.9	4.9	31%	30%	17.2	4.9	28%
Active	12.5	2.6	21%	24%	13.6	2.8	21%
	52.3	14.8	28%	100%	55.9	15.5	28%
Overheads		(7.4)				(8.3)	
EBITA	52.3	7.4	14%		55.9	7.2	13%

We have maintained our focus on operating and other costs.

Online

The UK and US segmental figures include online revenue and costs. Digital development remains a key priority for the business. Online advertising revenue of £5.8m now represents 24% of total advertising revenue.

The overall Group position for the period is as follows:

	2009	2008	Change
	£m	£m	%
Direct costs	6.4	5.1	25%
Web development	0.8	0.7	14%
Gross investment	7.2	5.8	24%
Revenues	(5.8)	(4.9)	18%
Net cash investment	1.4	0.9	56%

US performance in half-year (shown in US Dollars)

	2009	2008	Change
	\$m	\$m	%
Circulation revenue	17.2	20.9	- 18%
Advertising revenue	17.2	22.0	- 22%
Customer publishing	2.1	1.7	+ 24%
Licensing, events & other	1.4	0.7	+ 100%
Total revenue	37.9	45.3	- 16%
EBITA	(2.5)	2.2	-
EBITA margin	- 7%	5%	

US revenue for the half-year fell by 16%. While circulation revenue fell by 18%, within this subscription revenue fell 11% (reflecting planned reductions in rate base) and newsstand fell 21%.

In February and March, newsstand was adversely affected by an unexpected disruption to distribution of up to 40% of our newsstand magazines, following a dispute among wholesalers and distributors in the North American magazine market. This dispute has now been largely resolved. The financial impact to Future arising from this disruption is a reduction in EBITA, estimated at \$1.1m in the half-year. Restructuring gave rise to a further \$0.4m of one-off costs in the period.

Advertising revenue in total fell by 22%, reflecting market weakness particularly in general advertising.

These factors contributed to an operating loss for the US business for the first half, exaggerated by our prudent provision for ageing receivables. However, assuming no other unforeseen circumstances, the US business is expected to return to profitability for the full-year to 30 September 2009, as we gain the benefit of our H1 cost reduction programme.

The following table shows performance by segment. The reduced revenue in the Active segment reflects the closure of our snowboarding titles in H2 2008.

	2009	2009	2009	2009	2008	2008	2008
	Revenue	Contrib'n	Margin	% of	Revenue	Contrib'n	Margin
	\$m	\$m	%	revenue	\$m	\$m	%
Games	19.4	2.5	13%	51%	24.0	4.0	17%
Music & Movies	8.3	0.5	6%	22%	9.5	1.8	19%
Technology	7.9	1.3	16%	21%	8.6	2.5	29%
Active	2.3	(0.2)	- 9%	6%	3.2	(0.3)	- 9%
	37.9	4.1	11%	100%	45.3	8.0	18%
Overheads		(6.6)				(5.8)	
EBITA	37.9	(2.5)	- 7%		45.3	2.2	5%

The movement in overheads reflects the increase in provision for ageing receivables and the restructuring costs. We continue to control operating and other costs.

Interim statement

Net finance costs

Net finance costs include a reduced charge for net interest payable, which reflects the year-on-year reduction in the cost of 3-month LIBOR. We have also made full provision of £0.6m in respect of interest rate swaps contracted by the Group in 2007.

	2009 £m	2008 £m	Change £m
Net interest payable	0.8	1.1	0.3
Fair value loss on interest rate swaps	0.6	-	(0.6)
Net finance costs	1.4	1.1	(0.3)

Taxation

The tax charge for the half-year was £0.4m (2008: £1.4m) which represents an estimated effective tax rate of 30% applied to profit before tax. This is the effective rate estimated to apply to taxable profits of the Group for the full financial year.

Cash flow and net debt

Net debt at 30 September 2008 was £21.9m. Future continues to be strongly cash-generative and during the period cash generated from operations amounted to £5.8m (2008: £5.5m).

During the period the Group paid out £2.0m (2008: £1.9m) in dividends, £2.0m (2008: £1.9m) in respect of capital expenditure, £0.8m (2008: £1.0m) in net interest payments, and received £0.6m in net tax receipts (2008: net tax payments of £1.2m). Exchange and other movements accounted for the balance of cash flows.

Net debt at 31 March 2009 was £22.8m, a reduction in six months of 7% in real terms, before taking account of the £2.4m adverse movement in the US Dollar exchange rate: 45% of our gross debt, at 31 March 2009, was in US Dollars. Net debt of £22.8m represents 1.54 times bank EBITDA, which was comfortably within the limit of 2.5 times under the terms of the Group's previous banking facility.

New credit facility

As announced on 6 May 2009 the Group has successfully re-financed its bank facilities ahead of expiry in April 2010. The new facility is effective from 6 May 2009 and matures on 30 November 2012. The total facility is for £42m, comprising a term loan of £15m and a revolving credit facility of up to £27m.

Arrangement and other fees related to the new facility totalled £1.0m (to be amortised over the term). Interest payable is to be calculated as the cost of 3-month LIBOR (currently approximately 1.4%) plus an interest margin of between 2.5% and 3.25%, dependent on covenant ratio (i). The key bank covenants are that: (i) net debt is not to exceed 2.5 times bank EBITDA; (ii) net interest payable is to be covered at least 4 times by bank EBITDA; (iii) cashflow is to cover the cost of debt service costs by specified ratios. These covenants are tested quarterly on the basis of rolling figures for the preceding 12 months. In accordance with the Company's previous practice, disclosure of covenant compliance will be published in the 2009 Annual Report.

Since September 2005 the Group has reduced its net bank debt by almost half and has complied at all times with all covenants under the previous banking facility.

Interim dividend

An interim dividend of 0.4p per share (2008: 0.5p) will be paid on 30 June 2009 to all shareholders on the register on 29 May 2009. The ex-dividend date is 27 May 2009.

Key performance indicators

An updated set of key performance indicators is presented on page 22.

Risks

The principal risks affecting the activities of the Group are those detailed in the section entitled 'Risks' on page 24 of the Future plc 2008 Annual Report, a copy of which is available on our website www.futureplc.com.

The Board

As previously announced, John Mellon will step down on 17 July 2009 as an independent non-executive Director, after six years in the role. He will be replaced by Mark Wood who joined the Board on 1 April 2009.

Current trading and prospects

While the current economic conditions look set to continue, our outlook for the near-term necessarily remains cautious. Despite this, we are still on course to meet expectations for the full year.

With appropriate and proportionate investment, intense micro-management of our costs and a sound strategic focus, the Board believes that we remain well-positioned for the mid-term.

Roger Parry

Chairman

Stevie Spring

Chief Executive

John Bowman

Group Finance Director

Michael Penington

Senior independent non-executive Director

Patrick Taylor

Independent non-executive Director

John Mellon

Independent non-executive Director

Seb Bishop

Independent non-executive Director

Mark Wood

Independent non-executive Director

20 May 2009

Consolidated income statement

for the six months ended 31 March 2009

	Note	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
Revenue	1	76.6	78.3	162.9
Operating profit before amortisation of intangible assets		4.6	7.0	14.9
Amortisation of intangible assets	2	(2.0)	(1.8)	(3.4)
Operating profit	1, 2	2.6	5.2	11.5
Finance income	4	-	0.1	0.3
Finance costs	4	(1.4)	(1.2)	(2.3)
Net finance costs	4	(1.4)	(1.1)	(2.0)
Profit before tax		1.2	4.1	9.5
Tax on profit	5	(0.4)	(1.4)	(2.7)
Profit for the period		0.8	2.7	6.8

Earnings per 1p Ordinary share

	Note	6 months to 31 March 2009 pence	6 months to 31 March 2008 pence	12 months to 30 September 2008 pence
Basic earnings per share	7	0.2	0.8	2.1
Diluted earnings per share	7	0.2	0.8	2.1

Consolidated statement of changes in equity

for the six months ended 31 March 2009

	Note	Share capital £m	Share premium £m	Merger reserve £m	Treasury reserve £m	Retained earnings £m	Total equity £m
Balance at 1 October 2008		3.3	24.5	109.0	(0.3)	(56.9)	79.6
Profit for the period		-	-	-	-	0.8	0.8
Currency translation differences		-	-	-	-	3.1	3.1
Total recognised income for the period		-	-	-	-	3.9	3.9
Final dividend relating to 2008	6	-	-	-	-	(2.0)	(2.0)
Share option schemes							
- Value of employees' services	3	-	-	-	-	0.2	0.2
Treasury shares acquired		-	-	-	(0.1)	-	(0.1)
Transfer between reserves		-	-	-	0.3	(0.3)	-
Balance at 31 March 2009		3.3	24.5	109.0	(0.1)	(55.1)	81.6
Balance at 1 October 2007		3.3	24.5	109.0	(0.7)	(61.6)	74.5
Profit for the period		-	-	-	-	2.7	2.7
Currency translation differences		-	-	-	-	0.4	0.4
Total recognised income for the period		-	-	-	-	3.1	3.1
Final dividend relating to 2007	6	-	-	-	-	(1.9)	(1.9)
Share option schemes							
- Value of employees' services	3	-	-	-	-	0.3	0.3
Transfer between reserves		-	-	-	0.4	(0.4)	-
Balance at 31 March 2008		3.3	24.5	109.0	(0.3)	(60.5)	76.0
Balance at 1 October 2007		3.3	24.5	109.0	(0.7)	(61.6)	74.5
Profit for the year		-	-	-	-	6.8	6.8
Currency translation differences		-	-	-	-	1.2	1.2
Total recognised income for the year		-	-	-	-	8.0	8.0
Final dividend relating to 2007	6	-	-	-	-	(1.9)	(1.9)
Interim dividend relating to 2008	6	-	-	-	-	(1.6)	(1.6)
Share option schemes							
- Value of employees' services	3	-	-	-	-	0.6	0.6
Transfer between reserves		-	-	-	0.4	(0.4)	-
Balance at 30 September 2008		3.3	24.5	109.0	(0.3)	(56.9)	79.6

Consolidated balance sheet

as at 31 March 2009

	Note	31 March 2009 £m	31 March 2008 £m	30 September 2008 £m
Assets				
Non-current assets				
Property, plant and equipment	8	4.7	4.9	4.9
Intangible assets – goodwill		113.2	105.2	108.3
Intangible assets – other		4.3	4.3	4.7
Deferred tax		2.6	3.0	1.3
Total non-current assets		124.8	117.4	119.2
Current assets				
Inventories		4.6	5.0	3.9
Corporation tax recoverable		0.9	0.4	1.3
Trade and other receivables		25.3	30.7	28.4
Cash and cash equivalents		7.3	10.7	8.4
Total current assets		38.1	46.8	42.0
Total assets		162.9	164.2	161.2
Equity and liabilities				
Equity				
Issued share capital	9	3.3	3.3	3.3
Share premium account		24.5	24.5	24.5
Merger reserve		109.0	109.0	109.0
Treasury reserve		(0.1)	(0.3)	(0.3)
Retained earnings		(55.1)	(60.5)	(56.9)
Total equity		81.6	76.0	79.6
Non-current liabilities				
Financial liabilities – interest-bearing loans and borrowings		12.8	16.8	14.8
Financial liabilities – derivatives		0.4	–	–
Deferred tax		2.2	1.9	2.1
Provisions		1.3	1.3	1.3
Other non-current liabilities		6.3	2.5	2.6
Total non-current liabilities		23.0	22.5	20.8
Current liabilities				
Financial liabilities – interest-bearing loans and borrowings		17.3	19.0	15.5
Financial liabilities – derivatives		0.2	–	–
Trade and other payables		40.8	45.3	43.0
Corporation tax payable		–	1.4	2.3
Total current liabilities		58.3	65.7	60.8
Total liabilities		81.3	88.2	81.6
Total equity and liabilities		162.9	164.2	161.2

Consolidated cash flow statement

for the six months ended 31 March 2009

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
Cash flows from operating activities			
Cash generated from operations	5.8	5.5	14.0
Interest received	-	0.2	0.3
Tax received	0.7	-	0.5
Interest paid	(0.8)	(1.2)	(2.4)
Tax paid	(0.1)	(1.2)	(1.0)
Net cash generated from operating activities	5.6	3.3	11.4
Cash flows from investing activities			
Purchase of property, plant and equipment	(0.7)	(1.0)	(1.4)
Purchase of magazine titles, websites and trademarks	(0.1)	-	(0.3)
Purchase of computer software and website development	(1.2)	(0.9)	(2.0)
Purchase of subsidiary undertaking	-	-	(1.7)
Net cash used in investing activities	(2.0)	(1.9)	(5.4)
Cash flows from financing activities			
Purchase of own shares by Employee Benefit Trust	(0.1)	-	-
Draw down of bank loans	7.3	4.0	8.5
Repayment of bank loans	(11.0)	(7.0)	(18.1)
Equity dividends paid	(2.0)	(1.9)	(3.5)
Net cash used in financing activities	(5.8)	(4.9)	(13.1)
Net decrease in cash and cash equivalents	(2.2)	(3.5)	(7.1)
Cash and cash equivalents at beginning of period	8.4	14.2	14.2
Exchange adjustments	1.1	-	1.3
Cash and cash equivalents at end of period	7.3	10.7	8.4

Notes to the consolidated cash flow statement

for the six months ended 31 March 2009

A Cash flows from operations

The reconciliation of operating profit to cash flows generated from operations is set out below:

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
Operating profit for the period	2.6	5.2	11.5
Adjustments for:			
Depreciation charge	1.0	1.0	1.9
Amortisation of intangible assets	2.0	1.8	3.4
Share option schemes - Value of employees' services	0.2	0.3	0.6
Operating profit before changes in working capital and provisions	5.8	8.3	17.4
Movement in provisions	-	-	(0.1)
Increase in inventories	-	(1.9)	(0.6)
Decrease/(increase) in trade and other receivables	5.4	(0.5)	(1.3)
Decrease in trade and other payables	(5.4)	(0.4)	(1.4)
Cash generated from operations	5.8	5.5	14.0

B Analysis of net debt

	At 1 October 2008 £m	Cash flows £m	Non-cash changes £m	Exchange movements £m	At 31 March 2009 £m
Cash and cash equivalents	8.4	(2.2)	-	1.1	7.3
Debt due within one year	(15.5)	3.7	(2.0)	(3.5)	(17.3)
Debt due after more than one year	(14.8)	-	2.0	-	(12.8)
Net debt	(21.9)	1.5	-	(2.4)	(22.8)

C Reconciliation of movement in net debt

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
Net debt at start of period	(21.9)	(24.3)	(24.3)
Decrease in cash and cash equivalents	(2.2)	(3.5)	(7.1)
Movement in borrowings	3.7	3.0	9.6
Exchange movements	(2.4)	(0.3)	(0.1)
Net debt at end of period	(22.8)	(25.1)	(21.9)

Basis of preparation

This condensed interim financial information for the six months ended 31 March 2009 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as set out in our Annual Report for the year ended 30 September 2008, with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union, and in accordance with the Disclosure and Transparency Rules of the Financial Services Authority.

The interim financial information contained in the Interim Report should be read in conjunction with the Annual Report for the year ended 30 September 2008.

The Interim Report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and has not been audited. A copy of the statutory financial statements for the year ended 30 September 2008 has been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified; it did not contain an emphasis of matter and did not contain any statement under section 237 Companies Act 1985. The auditors have carried out a review of the Interim Report and their review report is set out on page 21.

The accounting policies adopted are consistent with those set out in the Group's statutory accounts for the financial year ended 30 September 2008 which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The following new standards, amendments to standards or interpretations which could be relevant to the Group are mandatory for the first time for the financial year beginning 1 October 2008 or later periods, but have not been adopted early:

- » IFRS 8 'Operating Segments'
- » Amendments to IAS 23 'Borrowing Costs'
- » IAS 1 (Revised) 'Presentation of Financial Statements'
- » IFRS 3 (Revised) 'Business Combinations'
- » IAS 27 (Revised) 'Consolidated and Separate Financial Statements'
- » Amendments to IFRS 2 'Share-based Payment'
- » Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'

Notes to the financial information

for the six months ended 31 March 2009

1 Segmental reporting

The Group is organised and managed primarily by geographical segment which is based on the economic environment in which an entity operates.

a) Revenue by segment

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
UK	52.3	55.9	115.6
US	25.1	22.5	47.7
Revenue between segments	(0.8)	(0.1)	(0.4)
Total	76.6	78.3	162.9

b) Operating profit by segment

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
UK	6.5	6.2	12.7
US	(2.8)	0.6	2.4
Central costs	(1.1)	(1.6)	(3.6)
Total	2.6	5.2	11.5

Information regarding segment profit before tax would require arbitrary allocation and is therefore not provided.

1 Segmental reporting (continued)

Additional analysis of the Group's revenue by type and destination is set out below:

i) Revenue by type

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
Circulation	45.4	46.6	97.8
Advertising and customer publishing	28.5	28.9	58.1
Licensing, events and other	2.7	2.8	7.0
Total	76.6	78.3	162.9

ii) Revenue by destination

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
UK	39.7	44.6	91.4
US	27.4	25.1	52.7
Mainland Europe	5.0	4.5	10.2
Rest of the world	5.3	4.1	9.0
Revenue between segments	(0.8)	-	(0.4)
Total	76.6	78.3	162.9

Notes to the financial information

for the six months ended 31 March 2009

2 Operating profit

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
Revenue	76.6	78.3	162.9
Cost of sales	(52.6)	(53.1)	(108.2)
Gross profit	24.0	25.2	54.7
Distribution expenses	(6.4)	(5.7)	(11.8)
Administration expenses	(13.0)	(12.5)	(28.0)
Amortisation of intangible assets	(2.0)	(1.8)	(3.4)
Operating profit	2.6	5.2	11.5

3 Employees

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
Wages and salaries	21.8	20.7	44.3
Social security costs	3.0	2.6	5.2
Other pension costs	0.6	0.6	1.1
Share option schemes			
- Value of employees' services	0.2	0.3	0.6
Total	25.6	24.2	51.2

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

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

The expense for the six months ended 31 March 2009 of £0.2m (2008: £0.3m) has been credited to reserves.

4 Finance income and costs

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
Interest receivable	-	0.1	0.3
Total finance income	-	0.1	0.3
Interest payable on interest-bearing loans and borrowings	(0.8)	(1.2)	(2.4)
Fair value loss on interest rate swaps	(0.6)	-	-
Exchange gains	-	-	0.1
Total finance costs	(1.4)	(1.2)	(2.3)
Net finance costs	(1.4)	(1.1)	(2.0)

In line with the Board's existing policy of hedging interest rate risk, the Group entered into two interest rate swaps in October 2007 to reduce its exposure on a proportion of the outstanding debt under its committed facility. The valuation of these interest rate swaps at 31 March 2009 resulted in an expense for the six months ended 31 March 2009 of £0.6m (2008: £nil).

5 Tax on profit

The tax charge for the six months ended 31 March 2009 is based on the estimated effective rate of tax for the Group for the full year to 30 September 2009. The estimated effective rate is applied to the profit before tax.

6 Dividends

	6 months to 31 March 2009	6 months to 31 March 2008	12 months to 30 September 2008
Equity dividends			
Number of shares in issue at end of period (million)	327.2	326.8	326.9
Dividends paid in period (pence per share)	0.6	0.6	1.1
Dividends paid in period (£m)	2.0	1.9	3.5

In accordance with IFRS interim dividends declared are recognised in the period in which they are paid and final dividends are recognised in the period in which they are approved.

The dividend of £2.0m paid during the period ended 31 March 2009 relates to the final dividend of 0.6 pence per share declared for the year ended 30 September 2008.

The dividend of £1.9m paid during the period ended 31 March 2008 relates to the final dividend of 0.6 pence per share declared for the year ended 30 September 2007.

The dividends totalling £3.5m paid during the year ended 30 September 2008 relate to the interim dividend for the six month period to 31 March 2008 of 0.5 pence per share (£1.6m) and the final dividend declared for the year ended 30 September 2007 of 0.6 pence per share (£1.9m).

Notes to the financial information

for the six months ended 31 March 2009

7 Earnings per share

Basic earnings per share are calculated using the weighted average number of Ordinary shares in issue 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 any related tax effects from the calculation as follows:

Adjustments to profit after tax

	6 months to 31 March 2009 £m	6 months to 31 March 2008 £m	12 months to 30 September 2008 £m
Profit after tax	0.8	2.7	6.8
Add: amortisation of intangible assets	2.0	1.8	3.4
Tax effect of the above adjustment	(0.7)	(0.6)	(1.1)
Adjusted profit after tax	2.1	3.9	9.1

	6 months to 31 March 2009	6 months to 31 March 2008	12 months to 30 September 2008
Weighted average number of shares outstanding during the period:			
- basic	326,060,911	326,444,054	325,711,398
- dilutive effect of share options	6,696,116	5,666,090	4,638,434
- diluted	332,757,027	332,110,144	330,349,832
Basic earnings per share (in pence)	0.2	0.8	2.1
Adjusted basic earnings per share (in pence)	0.6	1.2	2.8
Diluted earnings per share (in pence)	0.2	0.8	2.1
Adjusted diluted earnings per share (in pence)	0.6	1.2	2.8

The adjustments to profit have the following effect:

	6 months to 31 March 2009 pence	6 months to 31 March 2008 pence	12 months to 30 September 2008 pence
Basic earnings per share	0.2	0.8	2.1
Amortisation of intangible assets	0.6	0.5	1.0
Tax effect of the above adjustment	(0.2)	(0.1)	(0.3)
Adjusted basic earnings per share	0.6	1.2	2.8
Diluted earnings per share	0.2	0.8	2.1
Amortisation of intangible assets	0.6	0.5	1.0
Tax effect of the above adjustment	(0.2)	(0.1)	(0.3)
Adjusted diluted earnings per share	0.6	1.2	2.8

8 Property, plant and equipment

During the six months ended 31 March 2009, property, plant and equipment additions totalled £0.4m (31 March 2008: £1.0m). The £0.4m is attributable to land and buildings £0.1m (2008: £0.1m), plant and machinery £0.2m (2008: £0.8m) and equipment, fixtures and fittings of £0.1m (2008: £0.1m).

There were no commitments for capital expenditure contracted for but not provided at 31 March 2009 (31 March 2008: £nil).

The depreciation charge for the period totalled £1.0m (31 March 2008: £1.0m). The £1.0m is attributable to land and buildings £0.2m (2008: £0.2m), plant and machinery £0.6m (2008: £0.7m) and equipment, fixtures and fittings £0.2m (2008: £0.1m).

9 Issued share capital

During the period, 318,200 Ordinary shares (year ended 30 September 2008: 299,415) with a nominal value of £3,182 (2008: £2,994) were issued by the Company for a total cash consideration of £88 (2008: £5,889), pursuant to the exercise of share options.

As at 31 March 2009 there were 327,191,268 Ordinary shares in issue.

10 Contingent assets and contingent liabilities

At 31 March 2009 there were no material contingent assets or contingent liabilities.

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge the condensed interim financial information contained in the Interim Report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency Rules.

On behalf of the Board



John Bowman
Group Finance Director

20 May 2009

Directors

Roger Parry

Chairman

Stevie Spring

Chief Executive

John Bowman

Group Finance Director

Michael Penington

Senior independent non-executive Director

Patrick Taylor

Independent non-executive Director

John Mellon

Independent non-executive Director

Seb Bishop

Independent non-executive Director

Mark Wood

Independent non-executive Director

Company Secretary and Head of Legal

Mark Millar

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 financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent review report to Future plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009, which comprises the Consolidated income statement, Consolidated statement of changes in equity, Consolidated balance sheet, Consolidated cash flow statement, Notes to the consolidated cash flow statement, Basis of preparation and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in the Basis of preparation, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers LLP

Chartered Accountants

20 May 2009

Bristol

Key performance indicators

for the six months ended 31 March 2009

	6 months to 31 March 2009	6 months to 31 March 2008	12 months to 30 September 2008
Annual growth in revenue (at constant currency)	-11%	Flat	+2%
EBITA operating margin (as a %)	6.0%	8.9%	9.1%
Absolute EBITA (in Sterling)	£4.6m	£7.0m	£14.9m
Change in adjusted earnings per share (as a %)	-50%	Flat	+12%
Number of magazines sold per month	3.7m	4.2m	4.3m
Proportion of magazines sold from total number printed	See notes 1-3	See notes 1-3	See notes 1-3
Proportion of Group's business derived from our brands compared with partnership publishing	76:24 (note 4)	77:23 (note 4)	76:24 (note 4)
Number of unique users logging on to our websites per month	25m (note 5)	11m (note 5)	18m (note 5)
Growth in total advertising revenue (as a % at constant currency)	-15%	+4%	+3%
Proportion of advertising revenue that is online (as a %)	24%	19%	18%
Human capital	See note 6	See note 6	See note 6
Net bank debt	£22.8m	£25.1m	£21.9m

Notes

1 The majority of magazines printed by the Group are sold, and those unsold are mainly recycled and used for newspaper production. The precise proportion sold at newsstand is a detailed KPI each month for every title. However, the Group believes that it is commercially sensitive to disclose these percentages, since competitors typically do not release this information. Magazines printed for subscription have no wastage.

2 In the UK 77% of magazines (by volume) are sold at newsstand. Our overall UK average newsstand efficiency has decreased in 2009 by 3% compared with the first half of 2008. Future has increased the proportion of magazine volume sales derived from subscription rather than newsstand, from 20% to 23%. The majority of UK revenues for magazines are derived from cover price.

3 In the US 29% of magazines (by volume) are sold at newsstand. The majority are sold by subscription at heavily discounted prices.

4 Partnership publishing represented 24% of Group revenue for the first half of 2009. This category includes business from our Official magazines published for Microsoft (Xbox 360 and Vista), Sony (PlayStation) and Nintendo, plus customer publishing activities. The majority of the Group's revenue is generated from our own brands.

5 For each of our websites we know the number of page impressions and we know the number of unique visitors to that website. We do not know how many unique visitors visit more than one of our websites. The number presented here is the simple total of each website's average monthly number of unique visitors.

6 Human capital is the Group's most important resource, with 1,233 employees. In the running of our business, the most important focal point is the publisher responsible for each magazine and website. We focus on retention of key employees to drive our business. Equally, we believe in refreshment of the team with new people and new ideas.

Directors and advisers

Directors

Roger Parry

Chairman

Stevie Spring

Chief Executive

John Bowman

Group Finance Director

Michael Penington

Senior independent non-executive Director

Patrick Taylor

Independent non-executive Director

John Mellon

Independent non-executive Director

Seb Bishop

Independent non-executive Director

Mark Wood

Independent non-executive Director

Company Secretary and Head of Legal

Mark Millar

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Principal bankers

Lloyds TSB Bank

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Solicitors

Allen & Overy LLP

One Bishops Square

London E1 6AO

Financial calendar and contacts

Financial calendar

Half-year end	31 March 2009
Half-year results announced	20 May 2009
Half-year results mailed to shareholders	9 June 2009
Financial year end	30 September 2009
Annual results announced	November 2009
Annual results mailed to shareholders	December 2009

Where to contact us

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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 on 20 May 2009. Copies of these presentations are also available from the Company's registered office.



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