Future Publishing Limited

Directors' report and financial statements

for the year ended 30 September 2018

Registered Number: 02008885

Registered in England and Wales

Future Publishing Limited

Directors' report and financial statements
for the year ended 30 September 2018

Contents

Page

Future Publishing Limited

Directors and advisers

Directors

Z E Byng-Thorne
P Ladkin-Brand
O J Foster

Company Secretary

P Ladkin-Brand

Registered offices

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Bath
BA1 1UA
UK

Principal bankers

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Future Publishing Limited

Strategic report for the year ended 30 September 2018

The principal activity of the Company is the creation of special interest consumer magazines (in print and digital formats), websites and events. The operating profit for the year amounted to £6,756,000 (2017: loss of £1,195,000, restated for the change in accounting policy for stock). A review of the Company's activities, financial performance and position at the end of the year is included within the Strategic report and Financial review sections on pages 1 to 37 of the Future plc Annual Report 2018.

Research and development
The Company continues to invest in both new launches and the development of existing products and the Directors regard this investment as integral to the continuing success of the business.

Results
The results of the Company for the year are set out in detail on page 5. The profit for the financial year of £6,612,000 (2017: loss of £1,881,000, restated for the change in accounting policy for stock) has been transferred to reserves.

Exceptional items
The exceptional items in the year of £593,000 (2017: £2,572,000) relate to acquisition-related costs, other transformation-related activities, impairment of investment in a subsidiary, release of vacant property provisions, restructuring and redundancy costs and in the prior year a provision against amounts owing by fellow group undertakings. These costs are explained in more detail in note 2.

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks and the Directors operate a continuous process of identifying, evaluating and managing such risks.

The key business risks and uncertainties affecting the Company are considered to relate to competition from independent publishers both national and international, employee retention and the management of the Company's intellectual property. The internet continues to be an area of focus for the business with the level of investment in this area under regular review to ensure that financial objectives are being met. Further information is detailed within the Strategic report on pages 28 and 30 of the Future plc Annual Report 2018.

Key performance indicators
The Board manages the business by reference to the key performance indicators of turnover and gross contribution. For the year ended 30 September 2018 the Company's turnover was £88,492,000 representing an increase of 42% from the previous year's turnover of £62,347,000. Gross contribution (gross profit less distribution costs) was £34,758,000 (2017: £19,800,000, restated for the change in accounting policy for stock) representing a gross contribution margin of 39.3% (2017: 31.8%, restated for the change in accounting policy for stock). Additional information is detailed within the Financial review section on pages 35 to 37 of the Future plc Annual Report 2018.

On behalf of the Board

....
P Ladkin-Brand
Director
4 April 2019

Future Publishing Limited

Directors' report for the year ended 30 September 2018

The Directors present their report and the financial statements of the Company for the year ended 30 September 2018.

Directors
The Directors who held office during the year, and up to the date of signing the financial statements, were:

Z E Byng-Thorne
P Ladkin-Brand
O J Foster

Dividends
The Directors do not propose the payment of a dividend (2017: £nil).

Future outlook
The Company will continue to diversify its revenues through acquisitions and organic growth both geographically and across its product offering in addition to consolidating its position in its specialist content categories.

Acquisitions
On 3 April 2018, a fellow group company completed the acquisition of Newbay Media LLC (Newbay), the US based information and events business, for an initial net consideration of £8.8m cash and £1.1m shares in the Company's ultimate parent company, Future plc. Newbay's information and events business operates in three key verticals: Television & Video, Entertainment & Educational Technology and Music. Newbay's market leading brands include Music Week, Twice and Broadcasting & Cable. Following this acquisition, the UK portion of the trade and assets of this business was immediately transferred to the Company via its immediate parent undertaking, Future Holdings 2002 Limited.

On 1 May 2018, the Company completed the acquisition of the specialist consumer titles of What Hi-Fi?, FourFourTwo, Practical Caravan and Practical Motorhome from Haymarket Media Group for consideration of £9.3m cash and the issuance of 370,708 shares (with a market value of £1,425,000) in the Company's ultimate parent company, Future plc, via a holding company which was subsequently renamed Future New1 Limited. Following this acquisition, the trade and assets of this business were immediately transferred to the Company at fair value.

Financial risk management
The Company's operations expose it to a variety of financial risks that include credit risk, interest rate risk, foreign currency risk and liquidity risk and the Board seeks to limit the adverse effects on the financial performance of the Company through management of these risks.

(a) Credit risk
The Company has policies that require appropriate credit checks on potential customers before sales are made. Credit risk of counterparties with whom cash balances are held is monitored on a Group basis. The credit standing of all potential bankers is considered before selecting them by use of external credit ratings.

(b) Interest rate risk
The Company has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets comprise cash balances which earn interest at variable rates, and interest-bearing liabilities comprise loans from Group undertakings on which interest is payable at variable rates. Interest rate risk is managed on a Group basis, see page 97 of the Future plc Annual Report 2018.

(c) Foreign currency risk
Foreign currency risk is managed on a Group basis, see pages 97 and 98 of the Future plc Annual Report 2018.

(d) Liquidity risk
Liquidity risk is managed on a Group basis, see page 98 of the Future plc Annual Report 2018.

Directors' report for the year ended 30 September 2018 *(continued)*

Employee involvement
During the year the Company has maintained and developed arrangements aimed at systematically providing employees with information on matters of concern to them as employees, consulting them or their representatives on a regular basis, so that their views may be taken into account in making decisions which are likely to affect their interests. Employee involvement in the Company is encouraged, and we believe that achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of their employing company plays a major role in maintaining the success of the Company.

The Company pays a proportion of its profits to employees under various profit growth, commission and management incentive schemes. Employees are also invited to join the Future plc group share incentive plan.

Training and development
The Company is committed to the continuous improvement of employee performance by developing skills and expertise through internal and external training and development. The Company has developed in-house programmes and courses to meet the needs of its employees and its business.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced disclosure framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Equal opportunities
The Company is an equal opportunities employer and recruits on the basis of merit, not on race or gender. In addition, the Company has given full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. It has made appropriate arrangements for the continuing employment and training, career development and promotion of disabled persons employed by the Company. If an employee becomes disabled, the Company's objective is the continued provision of suitable employment, either in the same or an alternative position, with appropriate training being given if necessary.

On behalf of the Board

....
P Ladkin-Brand
Director
4 April 2019

Registered number: 02008885

Future Publishing Limited

Profit and loss account for the year ended 30 September 2018

	Note	2018 £'000	2017 restated[1] £'000
Turnover	1	**88,492**	62,347
Cost of sales		**(49,940)**	(39,057)
Gross profit		**38,552**	23,290
Distribution costs		**(3,794)**	(3,490)
Administrative expenses:			
Administrative expenses excluding exceptional items		**(27,409)**	(18,423)
Exceptional items	2	**(593)**	(2,572)
Administrative expenses including exceptional items		**(28,002)**	(20,995)
Operating profit/(loss)		**6,756**	(1,195)
Profit/(loss) on ordinary activities before interest		**6,756**	(1,195)
Interest receivable and similar income	4	**324**	36
Interest payable and similar charges	5	**(55)**	(249)
Profit/(loss) on ordinary activities before taxation	2	**7,025**	(1,408)
Tax on profit/(loss) on ordinary activities	6	**(413)**	(473)
Profit/(loss) for the financial year		**6,612**	(1,881)

[1] 2017 figures have been restated for the change in accounting policy for stock. See page 11 for revised accounting policy and note 11 for further detail.

Future Publishing Limited

Statement of comprehensive income for the year ended 30 September 2018

The Company had no other comprehensive income during either the current or prior years and therefore the total comprehensive income for the year is solely the profit attributable to the shareholders of the Company of £6,612,000 (2017: loss of £1,881,000, restated for the change in accounting policy for stock).

Future Publishing Limited

Statement of changes in equity for the year ended 30 September 2018

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account restated[1] £'000	Total shareholders' funds restated[1] £'000
Balance at 1 October 2016	252	8	10	90,534	90,804
Loss for the year	-	-	-	(1,881)	(1,881)
Total comprehensive expense for the year	-	-	-	(1,881)	(1,881)
Share-based payments	-	-	-	1,651	1,651
Balance at 30 September 2017	252	8	10	90,304	90,574
Profit for the year	-	-	-	6,612	6,612
Total comprehensive income for the year	-	-	-	6,612	6,612
Share-based payments	-	-	-	2,370	2,370
Balance at 30 September 2018	**252**	**8**	**10**	**99,286**	**99,556**

[1] 2017 figures have been restated for the change in accounting policy for stock. See page 11 for revised accounting policy and note 11 for further detail.

Future Publishing Limited

Balance sheet as at 30 September 2018

	Note	2018 £'000	2017 restated[1] £'000
Fixed assets			
Intangible assets	7	**57,683**	49,232
Tangible assets	8	**1,384**	985
Investments	9	**10,901**	11,020
		69,968	61,237
Current assets			
Stocks	11	**40**	252
Debtors	12	**110,990**	106,630
Cash at bank and in hand		**3,314**	6,033
		114,344	112,915
Creditors: amounts falling due within one year	13	**(80,010)**	(78,232)
Net current assets		**34,334**	34,683
Total assets less current liabilities		**104,302**	95,920
Creditors: amounts falling due after more than one year	14	**(469)**	(560)
Provisions for liabilities	15	**(4,277)**	(4,786)
Net assets		**99,556**	90,574
Capital and reserves			
Called-up share capital	16	**252**	252
Share premium account		**8**	8
Capital redemption reserve		**10**	10
Profit and loss account		**99,286**	90,304
Total shareholders' funds		**99,556**	90,574

[1] Prior period balances have been restated for the change in accounting policy for stock. See page 11 for revised accounting policy and note 11 for further detail.

For the year ended 30 September 2018, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the accounts.

The financial statements on pages 5 to 30 were approved by the Board of Directors on 4 April 2019 and are signed on its behalf by:

....

P Ladkin-Brand
Director

Registered number 02008885

Future Publishing Limited

Accounting policies

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

In these financial statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, intangible fixed assets and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- disclosures in respect of the compensation of Key Management Personnel; and
- the effects of new but not yet effective IFRS.

The Company is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Future plc, which is registered in England and Wales. Future plc prepares consolidated financial statements which are publicly available and the financial statements of the Company are consolidated within them. Accordingly these financial statements present information about the Company as an individual undertaking and not about its group.

As the consolidated financial statements of Future plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share-based payment* in respect of group settled share-based payments;
- certain disclosures required by IAS 36 *Impairment of Assets* in respect of the impairment of goodwill and indefinite life intangible assets; and
- certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill.

Turnover

Turnover is the amount derived from the provision of goods and services falling within the Company's ordinary activities after deduction of trade discounts, provision for returns and value added tax. The following recognition criteria also apply:

- Magazine circulation and advertising revenue is recognised according to the date that the related publication goes on sale.
- Revenue from the sale of digital magazine subscriptions is recognised uniformly over the term of the subscription.
- Event income is recognised when the event has taken place.
- Licensing revenue is recognised on the supply of the licensed content.
- Other revenue is recognised at the time of sale or provision of service.

Taxation

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

Current tax is payable based on taxable profits for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date, along with any adjustment relating to tax payable in previous years. Taxable profit differs from net profit in the income statement in that income or expense items that are taxable or deductible in other years are excluded – as are items that are never taxable or deductible.

Future Publishing Limited

Accounting policies (continued)

Taxation (continued)

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Foreign currencies
Transactions in foreign currencies are recorded in sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, where a contract rate does not apply, are translated into sterling at the exchange rates ruling at the balance sheet date.

All foreign currency gains and losses realised and unrealised are taken to the profit and loss account, with the exception of items that are hedge accounted.

Business combinations
Business combinations are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, and includes the estimated amount of any contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

This is not in accordance with The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 which require that all goodwill be amortised. The Directors have therefore invoked a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill. If the Company had amortised goodwill, a period of between one and five years would have been chosen as the useful life for goodwill. There would have been no change to the profit for the current year had goodwill been amortised, since goodwill had been fully amortised at the date of transition.

(b) Titles, trademarks, customer lists, advertising relationships and other 'magazine and website related' intangibles
Magazine-related intangible assets have a finite useful life and are stated at cost less accumulated amortisation. Assets acquired as part of a business combination are initially stated at fair value. Amortisation is calculated using the straight-line method to allocate the cost of these intangibles over their estimated useful lives (between one and ten years).

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

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

Future Publishing Limited

Accounting policies (continued)

Impairment
Goodwill is not amortised but tested for impairment at least once a year or more frequently when there is an indication that it may be impaired. These tests are performed at the level of each CGU or group of CGUs likely to benefit from acquisition-related synergies. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

To determine whether an impairment loss should be recognised, the carrying value of the assets and liabilities of the CGUs is compared to their recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the best estimate of the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the estimated future cash flows discounted using appropriate pre-tax discount rates.

Any impairment of goodwill is recorded in the income statement as a deduction from operating profit.

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

Tangible fixed assets
Tangible fixed assets are stated at historic purchase cost, or valuation, less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated to write down the cost or valuation of the tangible fixed assets to their estimated residual values by equal annual instalments over the period of their useful lives, which are considered to be:

Leasehold improvements	-	50 years or period of lease if shorter
Plant and machinery	-	Between 1 and 5 years
Equipment, fixtures and fittings	-	Between 1 and 5 years

Investments
Investments in subsidiary undertakings are stated at the fair value of consideration payable including related acquisition costs, less any provisions required to reduce the value of an investment to the Directors' assessment of the net realisable value of the investment in that company. Impairment reviews are carried out by the Directors whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Pensions
The Company operates a number of defined contribution pension scheme plans. The assets of the schemes are held separately from those of the Company in independently administered funds. Contributions payable in respect of defined contribution schemes are charged to the profit and loss account as they are incurred.

Stock
Stock is stated at the lower of cost and net realisable value. For raw materials, cost is taken to be the purchase price on a first in, first out basis. For finished goods, cost is calculated as the direct cost of production. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Leases
Leases where the Company assumes substantially all the risks and rewards of ownership of the leased assets are classed as finance leases. Assets held under finance leases are capitalised at their fair value and depreciation is provided on the basis of the Company's depreciation policy or over the lease period whichever is shorter. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest element is charged to the profit and loss account.

All other leases are classed as operating leases. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

When a leasehold property ceases to be used in the business a provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease.

Accounting policies (continued)

Share-based payments
The Company's ultimate parent undertaking, Future plc, operates a number of equity-settled, share-based compensation plans and has made awards under these plans to employees of the Company and to employees of one of the Company's subsidiary companies.

The fair value of the employee services received by the Company in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed over the appropriate service period is determined by reference to the fair value of the awards, excluding the impact of any non-market vesting conditions (for example, earnings per share). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The fair value of the employee services received by the subsidiary company in exchange for the grant of the options is recognised in this Company, as intermediate holding company, as an increase in the investment in subsidiaries. There is a corresponding adjustment in equity to reflect the capital contribution received from the parent undertaking in the form of the employee services provided.

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

Exceptional items
The Company classifies transactions as exceptional where they relate to an event that falls outside the ordinary activities of the business and where individually or aggregated they have a material impact on the financial statements. The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance.

Critical accounting assumptions, judgements and estimates
The preparation of the financial statements requires the use of certain critical accounting assumptions and requires management to exercise its judgement and to make estimates in the process of applying the Company's accounting policies.

Critical judgements in applying the Company's accounting policies
(a) Carrying value of goodwill and other intangibles
The Company uses forecast cash flow information and estimates of future growth to assess whether goodwill and other intangible assets are impaired. If results in future years are adverse to the estimates used for impairment testing, an impairment may be triggered at that point, or a reduction in useful economic life may be required.

(b) Exceptional items
Due to the significant acquisition related activity, there are a number of items considered exceptional in nature. In the current year these largely consist of acquisition and integration related costs, relating to the acquisitions of NewBay Media LLC and the titles from Haymarket Media Group. See notes 2 and 20 for further detail.

Key sources of estimation uncertainty
(a) Taxation
Estimates of future profitability are required to determine the deferred tax position. If the final tax outcome is different to that assumed, resulting changes will be reflected in the income statement or statement of changes in equity as appropriate. The corporation tax provision reflects management's estimation of the amount of tax payable for fiscal years with open tax computations where liabilities remain to be agreed with the tax authorities.

(b) Returns provision
The Company makes a provision for sales returns at the end of each month, which is calculated by looking at the forecast sales projections for the following month of the titles that were on sale at the month-end and providing for any shortfall.

New or revised accounting standards and interpretations
No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 September 2018, have had a material impact on the Company.

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018

1 Turnover

Turnover is derived solely from the principal activities of the Company based on operations in the United Kingdom which are considered by the Directors to be one class of business derived from external customers, and is analysed by destination as follows:

	2018 £'000	2017 £'000
United Kingdom	**60,758**	44,174
United States	**9,434**	8,705
Mainland Europe	**11,166**	6,644
Rest of the world	**7,134**	2,824
	88,492	62,347

2 Profit/(loss) on ordinary activities before taxation

Profit (2017: loss) on ordinary activities before taxation is arrived at after charging:

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets		
- owned assets (note 8)	**494**	270
- under finance leases (note 8)	**81**	61
Amortisation of intangible assets (note 7)	**6,110**	3,755
Operating leases		
- hire of plant and machinery	**4**	8
- other operating lease rentals (note 17)	**1,547**	1,268
Exceptional items	**593**	2,572

2 Profit/(loss) on ordinary activities before taxation (continued)

Included in exceptional items are:

(a) restructuring costs of £198,000 (2017: £1,274,000), of which £190,000 (2017: £805,000) relates to staff termination agreements and associated payments following further restructuring of the business during the year;

(b) acquisition related costs of £452,000 in relation to the acquisition of Newbay Media LLC's UK business and the Haymarket titles (2017: £722,000 in relation to the acquisition of Ascent Publishing Limited and Centaur Consumer Exhibitions Limited (together "Home Interest")), further details of the acquisitions are disclosed in note 20 Business Combinations;

(c) acquisition and integration-related costs of £534,000;

(d) impairment of investment in a subsidiary of £314,000 (2017: 127,000);

(e) release of vacant property provision of £905,000 (2017: costs incurred of £166,000); and

(f) in the prior year, a provision of £283,000 against amounts owed to the Company by fellow group undertakings, which are no longer considered recoverable.

3 Employee information and Directors' emoluments

Employees

The monthly average number employed by the Company during the year, including Directors, was:

By activity:	**2018 Number**	2017 Number
Production and publication staff	**432**	407
Administration staff	**158**	96
	590	503

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

3 Employee information and Directors' emoluments (continued)

The costs incurred in respect of these employees were:

	2018 £'000	2017 £'000
Wages and salaries	**22,876**	19,816
Social security costs	**2,312**	1,816
Other pension costs	**693**	447
Share-based payments - value of employees' services	**2,370**	1,549
	28,251	23,628

Directors

The remuneration of the Directors of the Company was as follows:

	2018 £'000	2017 £'000
Aggregate emoluments	**1,222**	1,388
Company contributions paid in respect of money purchase pension scheme	**25**	12

	2018 £'000	2017 £'000
Highest paid Director:		
Aggregate emoluments	**667**	850
Company contributions paid in respect of money purchase pension scheme	**10**	5

During the year, £636,000 (2017: £348,000) was recharged by Future Publishing Limited to other group companies in respect of the services of the Directors. These figures have been removed from the numbers disclosed in the above tables.

Retirement benefits are accruing to three (2017: three) Directors under the defined contribution pension scheme.

The pension cost for the defined contribution scheme which represents contributions payable by the Company, amounted to £701,000 (2017: £447,000). Included in other creditors is £167,000 (2017: £106,000) in respect of contributions due to be paid over to the scheme.

Notes to the financial statements for the year ended 30 September 2018 (continued)

4 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from group undertakings	-	15
Other interest and similar income	-	21
Dividends receivable	**324**	-
	324	36

5 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable on taxes	**53**	107
Exchange losses	**2**	134
Other interest payable	-	8
	55	249

6 Tax on profit/(loss) on ordinary activities

(a) Analysis of tax charge/(credit) in the year

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax on profit/(loss) for the year	**1,436**	822
Foreign tax relief	**(146)**	(85)
Adjustments in respect of previous years	**(158)**	(42)
Total current tax charge	**1,132**	695

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

6 Tax on profit/(loss) on ordinary activities (continued)

	2018 £'000	2017 £'000
Deferred tax origination and reversal of tax differences (note 15)		
Origination and reversal of tax differences	**(682)**	(319)
Effect of changes in tax rates	**-**	41
Adjustments in respect of previous years	**(37)**	56
Total deferred tax credit	**(719)**	(222)
Total tax charge	**413**	473

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK for the relevant year. The differences are explained below:

	2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before taxation	**7,025**	(1,408)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2017: 19.5%)	**1,335**	(275)
Effects of:		
Expenses not deductible for tax purposes	**294**	890
Income not taxable	**(62)**	(220)
Effect of changes in tax rates	**80**	41
Group relief and imputed interest	**(893)**	23
Foreign tax relief	**(146)**	-
Adjustments in respect of previous years	**(195)**	14
Total tax charge	**413**	473

(c) Factors that may affect future tax charges

The changes to the main rate of corporation tax for the UK announced in the March 2016 Budget was substantively enacted on 15 September 2016. The changes reduced the main rate of corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020. As a result of the reduction of the rate from 20% to 19% on 1 April 2017, corporation tax has been calculated at 19.0% for the year and any impact has been included in these financial statements.

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

7 Intangible assets

	Goodwill £000	Magazine and website £'000	Other £000	Total £'000
Cost				
At 1 October 2017	41,250	26,962	9,271	77,483
Additions through business combinations (note 19)	7,246	6,081	-	13,327
Additions	-	-	1,234	1,234
At 30 September 2018	**48,496**	**33,043**	**10,505**	**92,044**
Accumulated amortisation				
At 1 October 2017	18,033	3,438	6,780	28,251
Charge for the year	-	4,513	1,597	6,110
At 30 September 2018	**18,033**	**7,951**	**8,377**	**34,361**
Net book amount at 30 September 2018	**30,463**	**25,092**	**2,128**	**57,683**
Net book amount at 30 September 2017	23,217	23,524	2,491	49,232

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

Further details regarding the intangible assets acquired during the year through business combinations are set out in note 19.

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

Annual impairment testing has been performed with no impairment charges considered necessary. No reasonably possible change in key assumptions would result in impairment in any of the Company's goodwill. Amortisation is included within administrative expenses.

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

8 Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Equipment fixtures and fittings £'000	Total £'000
Cost				
At 1 October 2017	756	3,338	471	4,565
Additions	258	667	49	974
At 30 September 2018	**1,014**	**4,005**	**520**	**5,539**
Accumulated depreciation				
At 1 October 2017	348	2,992	240	3,580
Charge for the year	89	404	82	575
At 30 September 2018	**437**	**3,396**	**322**	**4,155**
Net book amount				
At 30 September 2018	**577**	**609**	**198**	**1,384**
At 30 September 2017	408	346	231	985

Assets held under finance leases and included within tangible fixed assets:

	2018 £'000	2017 £'000
Cost	**240**	240
Accumulated depreciation	**(189)**	(108)
Net book value	**51**	132

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

9 Investments

Investments in subsidiary and related undertakings:	£'000
Cost and net book amount:	
At 1 October 2017	11,020
Additions – Haymarket titles (note 19)	500
Adjustment to consideration on Home Interest acquisition	(305)
Impairment	(314)
At 30 September 2018	**10,901**

The Directors believe that the carrying value of investments is supported by their underlying trade and assets.

Following the agreement of final completion accounts an adjustment was made during the year to the consideration paid for the Home Interest acquisitions (acquired by the company on 1 August 2017), reducing the Company's investment in its subsidiaries Ascent Publishing Limited and Centaur Consumer Exhibitions Limited.

The Company impaired its investment in its subsidiary A&S Publishing Company Limited ("A&S") by £314,000, following the receipt of a dividend in specie from A&S of £324,000. Subsequently, A&S was dissolved on 5 February 2019.

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

10 Subsidiary undertakings

Details of the Company's subsidiary undertakings are set out below. Shares of those companies marked with an * are indirectly owned by the Company.

Company name and registered number	Country of incorporation	Nature of business	Holding %	Class of shares
A&S Publishing Company Limited 01584580	England and Wales[1]	Dissolved[5]	100	£1 Ordinary shares
Ascent Publishing Limited 02561341	England and Wales[1]	Non-trading	100	£1 Ordinary shares
Centaur Consumer Exhibitions Limited 07276298	England and Wales[1]	Non-trading	100	£1 Ordinary shares
Future Publishing (Overseas) Limited 06202940	England and Wales[1]	Publishing	100	£1 Ordinary shares
FutureFolio Limited 07956484	England and Wales[1]	Non-trading	100	£1 Ordinary shares
Future New1 Limited 10562453	England and Wales[1]	Non-trading	100	£1 Ordinary shares
Next Commerce Philippines Inc* CS201517783	Philippines[2]	Dormant	100	₱1 Ordinary shares
Next Commerce Pty Ltd* 113 146 786	Australia[3]	Comparison shopping	100	$1 Ordinary shares
Pricepanda Group GmbH* HRB138471B	Germany[4]	Dormant	100	€1 Ordinary shares

1 Registered office: Quay House, The Ambury, Bath, BA1 1UA, England

2 Registered office: 2/F GC Corporate Plaza, 150 Legaspi Street, Legaspi Village, Makati, Manila, Philippines

3 Registered office: Suite 3, Level 10, 100 Walker Street, North Sydney, NSW 2060, Australia

4 Registered office: Charlottenstraße 4, 10969 Berlin, Germany

5 The Company was dissolved via voluntary strike-off on 5 February 2019

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

11 Stocks

	2018 £'000	2017 restated[1] £'000
Raw materials	**40**	252

[1] Prior period work in progress of £503,000 has been written off, as a result of a change in accounting policy for stock. See page 11 for revised accounting policy. The impact on 2016 and 2017 is to reduce retained earnings by £242,000 and £261,000 respectively.

12 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	**10,800**	6,859
Amounts owed by group undertakings	**95,688**	96,138
Other debtors	**319**	326
Prepayments and accrued income	**4,183**	3,307
	110,990	106,630

Amounts owed by group undertakings include an amount of £95,688,000 (2017: £95,638,000) which has no interest rate or specified repayment terms.

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

13 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	**800**	1,865
Amounts owed to group undertakings	**48,847**	52,329
Corporation tax payable	**401**	607
Other taxation and social security	**1,788**	812
Other creditors	**1,159**	694
Accruals and deferred income	**26,973**	21,840
Obligations under finance leases	**42**	85
	80,010	78,232

Obligations under finance leases are secured on the assets to which they relate.

14 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Other creditors	**469**	520
Obligations under finance leases	**-**	40
	469	560

Other creditors consist of a deferred property lease liability. Obligations under finance leases are secured on the assets to which they relate.

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

15 Provisions for liabilities

Vacant properties and dilapidations

The movement on vacant properties and dilapidations is as follows:

	£'000
At 1 October 2017	1,509
On acquisition	59
Charged in the year	166
Utilised in the year	(143)
Released in the year	(905)
At 30 September 2018	**686**

The provision for vacant properties and dilapidations relates to obligations under short leasehold agreements on vacant properties. The provision made represents the following:

a) The best estimate of the discounted future net cash flow arising from the net shortfall on each of the leases held.

b) The best estimate of dilapidation obligations on termination of specific leasehold arrangements.

The amount released in the year related to exceptional items, see note 2 for further detail.

The above provisions will potentially be utilised or reversed during the next 5 years.

Deferred tax

The following comprises the net deferred tax liability recognised by the Company.

	2018 **£'000**	2017 £'000
Fixed assets	**3,700**	3,364
Temporary trading differences	**(109)**	(87)
Net deferred tax liability	**3,591**	3,277

The deferred tax is disclosed as a net non-current liability on the balance sheet and recognised amounts relate to short term timing differences as at 30 September 2018. Of this, £682,000 (2017: £472,000) relates to liabilities expected to unwind within the next 12 months.

16 Called-up share capital

	2018 **£'000**	2017 £'000
Allotted and fully paid		
2,521,050 (2017: 2,521,050) ordinary shares of 10p each	**252**	252

17 Obligations under leases

Obligations under finance leases

The minimum lease payments under finance leases fall due as follows:

	2018 £'000	2017 £'000
Within one year	**42**	40
Within two to five years	**-**	85
	42	125

Obligations under operating leases

The total future lease payments under non-cancellable operating leases fall due as follows:

	2018		2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**1,756**	**4**	1,616	4
Within two to five years	**6,064**	**7**	6,006	11
After five years	**3,906**	**-**	5,123	-
	11,726	**11**	12,745	15

Future minimum sub-lease receipts expected under non-cancellable subleases at 30 September 2018 total £411,000 (2017: £793,000).

During the year, £1,551,000 (2017: £1,276,000) was recognised in the profit and loss account in respect of operating lease rental payments and £267,000 (2017: £241,000) was recognised in respect of sub-lease receipts.

18 Share-based payments

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

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

18 Share-based payments (continued)

For options and other share incentive schemes outstanding at 30 September 2018 the weighted average exercise prices and remaining contractual lives are as follows:

	Weighted average remaining contractual life in years	
	2018	2017
PSP		
July 2014	-	-
February 2015	-	-
May 2015	-	1
August 2015	-	1
November 2015	-	1
September 2016	1	2
November 2016	1	2
February 2017	1	2
November 2017	2	-
February 2018	2	-
May 2018	3	-
July 2018	3	-
DABS		
November 2009	-	-
December 2010	-	-
January 2012	-	-
December 2012	-	-
December 2013	-	-
November 2015	-	-
	1	2

The weighted average share price at the date of exercise of share options and other share incentive awards during the year was £4.080 (2017: £2.150).

The 2010 Sharesave Plan (the Sharesave Plan)

Under the Sharesave Plan the option entitlement granted to participating employees is linked to the monthly contributions which such employees have agreed to pay into the Sharesave Plan (up to a maximum amount of £250 per month). The options granted under the Sharesave Plan vest on the third anniversary of the grant of such options. Where legal and regulatory constraints permit, Future plc uses its discretion to offer options granted under the Sharesave Plan at a discount to the market price in force at the date of the invitation being made. The Sharesave Plan was discontinued during the year and at 30 September 2018 there were no options outstanding under this scheme.

Performance Share Plan (PSP)

The PSP is a share-based incentive scheme open to the Executive Directors and certain other key employees and 'rising stars' across the Future plc group, usually based on a percentage of the participant's salary. Awards under this scheme are subject to stretching performance criteria measured against a combination of earnings per share (EPS), net cash flow, adjusted EBITDA or share price performance (all of Future plc), depending on the date of grant. Unless the Remuneration Committee decides otherwise at the date of grant, awards will vest three years after the date of grant subject to the participant's continued employment within the Group and achievement of the performance criteria.

18 Share-based payments (continued)

Performance Share Plan (PSP) (continued)

On 21 August 2018, Future plc completed a 3 for 4 rights issue (the "rights issue") in order to fund the acquisition of Purch Group LLC. Following the completion of the rights issue the Future plc Remuneration Committee ("the Remuneration Committee") elected to 'make good' all share award holders by increasing the number of options they hold using a HMRC approved formula which takes into consideration the number of new shares created as a result of the rights issue. The Remuneration Committee also reviewed and where appropriate updated the performance criteria for each of the outstanding awards.

In July 2017, the Company's Remuneration Committee exercised its discretion to change the performance criteria in respect of the award granted in July 2014 from TSR performance and EPS growth to net cash flow and absolute EPS in order to align the performance criteria for awards made to the Executive Directors. The Remuneration Committee also extended the vesting date of the award from 16 July 2017 to 27 November 2017 in order to align with the other Executive Director.

Grants were made under the PSP in November 2016, February 2017, November 2017, February 2018, May 2018 and July 2018.

Deferred Annual Bonus Scheme (DABS)

The DABS is a share-based incentive scheme open to the Executive Directors and certain managers across the Future plc group. The maximum value of any shares granted under the DABS to any one participant will be an amount which is equal to a fixed percentage of that eligible participant's annual bonus for the previous financial year. The number of shares over which an award is to be granted to each participant will usually be calculated by reference to the market value of an Ordinary share in Future plc on the date of the award. Unless the Remuneration Committee decides otherwise at the date of grant, the shares awarded under the DABS will vest six months after the date of the award, subject only to the employee remaining in the employment of the Future plc group throughout the vesting period.

The last grant made under the DABS was in November 2017.

Share Incentive Plan (SIP)

The SIP is open to all UK employees including the Executive Directors. It is a tax efficient incentive plan pursuant to which employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of Ordinary shares in Future plc per month or £1,800 per annum. Under the SIP, employees are invited to subscribe for Partnership shares via salary deductions. If an employee agrees to buy Partnership shares, Future plc currently matches the number of Partnership shares bought with an award of Matching shares on the basis of one Matching share for every four Partnership shares. Matching share awards to date have been met by the issue of Ordinary shares to Yorkshire Building Society as Trustee of the SIP.

19 Business combinations

Acquisition of Newbay Media LLC

On 3 April 2018, a fellow group company completed the acquisition of Newbay Media LLC (Newbay), the mainly US-based information and events business, for an initial net consideration of £8.8m cash and £1.1m shares in Future plc. Newbay's information and events business operates in three key verticals: Television & Video, Entertainment & Educational Technology and Music. Newbay's market leading brands include Music Week, Twice and Broadcasting & Cable. Following this acquisition, the UK portion of the business was immediately sold to the Company's immediate parent undertaking, Future Holdings 2002 Limited, and the trade and assets of this business was transferred to the Company at fair value.

The impact on the Company's balance sheet was:

	Provisional fair value £'000
Intangible assets:	
Publishing rights	281
Brands	426
Other intangibles	78
Trade and other receivables	1,153
Trade and other payables	(1,555)
Deferred tax	(95)
Net assets acquired	**288**
Goodwill	100
	388

Consideration satisfied by:	
Intercompany payable	**388**

Included in the Company's results for the year are revenues of £2,431,000 and a loss before tax of £172,000 (excluding deal fees, associated integration costs and acquired intangible amortisation) from the UK portion of Newbay Media.

Future Publishing Limited

Notes to the financial statements for the year ended 30 September 2018 (continued)

19 Business combinations (continued)

Acquisition of Haymarket titles

On 1 May 2018, the Company completed the acquisition of the specialist consumer titles of What Hi-Fi?, FourFourTwo, Practical Caravan and Practical Motorhome ("the Haymarket titles") from Haymarket Media Group for consideration of £9.3m cash and the issuance of 370,708 shares (with a market value of £1,425,000) in the Company's ultimate parent company, Future plc, via a holding company which was subsequently renamed Future New1 Limited. Following this acquisition, the trade and assets of this business were immediately transferred to the Company at fair value. The impact of the subsequent acquisition of the trade and assets on the Company's balance sheet was:

	Provisional fair value £'000
Intangible assets:	
Publishing rights	1,274
Brands	213
Websites	3,809
Trade and other payables	(871)
Deferred tax	(900)
Net assets acquired	**3,525**
Goodwill	7,146
	10,671

Consideration satisfied by:	
Intercompany payable	**10,671**

Of the total £10,671,000 consideration, £500,000 related to the consideration paid for shares of Future New1 Limited and accordingly is included within investments in note 9.

Included in the Company's results for the year are revenues of £3,422,000 and a profit before tax of £622,000 (excluding deal fees, associated integration costs and acquired intangible amortisation) from the Haymarket titles.

20 Parent undertaking and controlling party

The immediate parent undertaking of the Company is Future Holdings 2002 Limited. The ultimate parent undertaking and controlling party is Future plc, a company registered in England and Wales, which is the smallest and largest group for which group financial statements are prepared and of which the Company is a member. Copies of the group financial statements may be obtained from Future plc, Quay House, The Ambury, Bath, BA1 1UA.

21 Guarantees

The Company has given a guarantee in respect of the bank borrowings and interest payments of the group to the group's syndicate of loan facility providers, HSBC, Natwest and Bank of Ireland (see note 22 for further details).

22 Subsequent events

Sale of titles

On 8 January 2019 the Company completed the sale of six of the Newbay B2B titles to Datateam Business Media for £225,000. The sale included the brands' associated events. No gain or loss was recognised on the sale of these intangible assets.

Group refinancing

On 14 February 2019 the Future plc group announced the signing of a new £90 million multicurrency Revolving Credit Facility ("RCF"), to which the Company is a signatory. The RCF, which replaces the group's existing debt facilities, has an initial maturity of February 2023 and includes an incremental uncommitted £45 million accordion, providing additional flexibility. The RCF has improved terms on the existing debt facilities and is being provided by HSBC, Natwest and Bank of Ireland.