

Risks and uncertainties

Like all businesses, our business faces risks and uncertainties that could impact the Group's achievement of its objectives. Risk is accepted as being a part of operating any business and we have therefore established a continuous process of identifying, evaluating and managing risk.

Risks	Description	Mitigation
Operating environment	The structural change in our operating environment and the pace of the transition from print remain a real risk. There is a risk that print circulation volumes and print advertising revenues decline at a faster rate than anticipated and digital revenues do not grow at a rate to	Future continues to innovate, making available its special-interest content to consumers in a number of formats, in print, online and at events. The diversification of revenues helps protect against rapid changes in operating environment. We create best-in-class content
Intellectual property	Future uses, and grants licences to its licensees allowing them to use, various types of third-party content including music, audiovisual material, photos, images and text. As a publisher, Future is responsible for any intellectual property or other infringement relating to the same and as licensor, Future is responsible to its licensees.	Future produces guidance and in-house training to educate its staff on the importance of obtaining appropriate rights or licences and has a dedicated in-house rights management team. Future's legal team reviews all significant licences relating to third-party content and, where appropriate, seeks warranties and indemnities relating to the same. Future licenses content to third parties based on standard contracts which seek to limit Future's liability.
Financial	<p>The long lag time for reporting on sales of exported printed copies continues to be an area of forecasting uncertainty.</p> <p>Forecasting remains difficult in all consumer markets. As we diversify our revenue streams, new activities are inherently more difficult to forecast accurately.</p> <p>Advertising pipelines can be subject to slippage, with the risk that resulting revenue is pushed into later accounting periods.</p> <p>Future has available bank facilities totalling £25.4m at 30 September 2017. Failure to comply with the financial covenants of these facilities could result in additional finance costs and the possible withdrawal of the facilities.</p> <p>The significant issues considered in relation to the financial statements for the year ended 30 September 2017 are set out in the Audit Committee section of the Corporate Governance report on pages 26 to 28.</p>	<p>On printed products, in particular bookazines, a more conservative initial view on sales estimates continues, with emerging trends becoming more apparent.</p> <p>Future's forecasting in respect of innovative products will become easier as those products develop a more consistent customer base and stable business model.</p> <p>Careful monitoring of the advertising pipeline and bookings to close the gap in the event of any shortfall.</p> <p>Future continually monitors its cash flows and covenants and has operated within all its covenants throughout the year. The Group negotiated increased facilities (up from £5.0m in 2016) following the acquisitions of Imagine and the home interest division which expire in June 2021. There is currently significant headroom on these facilities. See note 18 to the financial statements for more detail.</p> <p>Review by Audit Committee with external auditors.</p>
IT	<p>The business is increasingly dependent on technology.</p> <p>In the event of a total network or server failure, or data loss, there would be a major impact on the production of magazines, operation of websites and the operational effectiveness of the business.</p>	<p>Future's network has at least two diverse routes for all key offices and business-critical data is held on three highly resilient storage devices in different locations. In addition, all core switches are duplicated in different buildings so there are no single points of failure. Servers are distributed across two main data centre locations and several controlled server rooms in different buildings in Bath and San Francisco. Future can switch services from one server to another within a few hours. In addition, all mission-critical services have more than one server so there is no single point of failure. Further investment in the IT infrastructure has been made in 2017 and more is already underway in 2018.</p>
Staff	The Group's strong reputation as a leading content provider makes its staff potentially attractive to competitors. There is a risk that key staff will move elsewhere if offered significant increases in remuneration with which Future is unable to compete.	Future employs people who are passionate about their subject. Future offers a number of staff benefits and incentive programmes to attract and retain key staff, and steps are taken to ensure that the Group is not excessively reliant upon any one employee.

Risks	Description	Mitigation
Personal data and cyber fraud	<p>A loss of personal data or a cyber attack would trigger the need to notify users and the Information Commissioner's Office (ICO) and Future may suffer reputational risk, as well as a significant financial penalty, if it is responsible for the breach.</p> <p>The General Data Protection Regulation (GDPR) comes into force in May 2018. GDPR extends the scope of EU data protection law by giving data subjects additional rights and increasing the accountability obligations on companies processing data. The maximum penalties under GDPR are significantly higher than under the current regime.</p>	<p>Future seeks to ensure all of its systems comply with best practice as regards to security and has in place a plan to mitigate the effects of any hack. The Group is continually investing and upgrading its IT systems and processes to ensure that they are sufficiently robust and appropriate for the digital age.</p> <p>A GDPR steering committee has been established to ensure Future's readiness for GDPR when it comes into force. Data policies and procedures are being reviewed and legislative updates and ICO guidance are being monitored regularly.</p>
Major supplier or retailer fails	<p>Major distributor or retailer goes into administration resulting in loss of magazine sales and associated revenue.</p>	<p>Future carefully selects its suppliers, taking into account a number of factors including financial stability. Newsstand sales are spread across a number of retailers in the UK and US. In addition, the growth in bookazines continues to diversify the retailers we work with.</p>
Acquisitions	<p>The Group continues to search for opportunities to grow through acquisition. There is a risk that any such acquisition or its subsequent integration fails to create value for shareholders.</p>	<p>The Group has successfully completed and integrated several acquisitions over the last 18 months. The management team has become experienced and adept at identifying suitable acquisition opportunities, executing the deal and integrating the acquired business into the wider Future group. The risk is further mitigated through the performance of due diligence appropriate to the size and scale of the acquisition and the preparation of a clear and detailed integration plan.</p>