Group

£m	1999 Magazines	1999 Internet	1999 Central adjustments[1]	Total	1998 Total	% change
Revenues	**196.8**	**1.7**	**–**	198.5	159.9	24
Adjusted pro forma operating profit/(loss)	**26.3**	**(3.6)**	**(0.7)**	22.0	13.0	69
Underlying adjusted pro forma operating profit	**33.6**	**–**	**(0.7)**	32.9	25.7	28

1 Central adjustments comprise central costs (£2.1m) and the elimination of employer taxes on options and share related benefits of £1.4m.

(All figures included in this Review are pro forma figures).

We started the year with operations in the UK and France and ended it a truly global media business. In March we acquired a former licensee in Italy and set up new offices in Germany. In June we acquired California-based Imagine Media, Inc. which became our US operation, and have since added a business in Netherlands in December. Because of the acquisitions through the year, all figures given are pro forma for the Group at 31 December 1999 unless otherwise stated.

We expanded our magazine portfolio during the year through new title launches and by acquisitions and it now stands at 122 regular magazines across the Group. By the year end Future was recording some 5.5 million copy sales per month, and annual revenues from magazines were up 24% to £197m. One key contributor to this growth was *Business 2.0,* the magazine of the New Economy, which dramatically exceeded both copy sales and advertising revenue forecasts, and is set for substantial further growth in 2000.

Our Internet activities made significant progress with the continued roll out of our highly cost-efficient Affiliate Network business model. Future now owns and operates eight web networks in the US and UK, covering the games, PC, football and music sectors. As we enter the year, we are already attracting 4.6 million unique users each month to our various specialist web networks, representing some 78 million ad impressions. Further network launches are planned in existing and new territories for this year. We anticipate substantially expanding the number of e-commerce partnerships in place during 2000, details of which will be announced in the coming months.

We believe that Future is particularly well positioned to benefit from the myriad of opportunities offered by the Internet – the ultimate narrow-but-deep medium. With many of our readers already online, we have found an eager and enthusiastic audience for our specialist media content and have started to develop some of the commercial opportunities that the medium offers. Far from affecting magazine sales, the Internet is increasingly aiding Future's portfolio – both in terms of subject matter and as a promotional vehicle for copy sales and subscriptions.

It is a consequence of Future's rapid growth that the underlying profitability of the majority of our business is obscured by the investments we have made to develop both our magazine and Internet publishing activities. To assist the review of the progress of our strategy in 1999, we have separated out our investment on new and recently launched titles to give visibility to the underlying profit of the Group. The details of this are given in the Finance Director's Report on pages 32 and 33.

← **Official UK PlayStation Magazine** Future UK's biggest selling title, *Official Sony PlayStation Magazine* has been the leader in the UK computer games market for several years. Future and Sony recently announced that our highly successful working relationship would continue until at least December 2001.

Future's markets Specialist magazines continue to grow as a proportion of all magazine sales as consumers increasingly demand greater relevance. Future was confirmed as the UK's largest publisher of specialist monthly magazines in 1999 (as measured by the ABC), and we believe that we are one of the fastest-growing major publishers in the world.

The excitement and demand for consumer information generated by the fast pace of technological change is opening up opportunities for new magazines across a range of special interest areas, including consumer electronics, home computing and the Internet itself. It has also led to the most significant publishing development for the Group this year – the success in the US of *Business 2.0*, the magazine of the New Economy. The pace of its growth has been extraordinary, reflecting the need for informed analysis of how the Internet is affecting business and creating new business models. *Business 2.0* will become the Group's single biggest revenue earner in 2000 and, as well as doubling its frequency in the US, it will be launched in the UK in the spring, and Germany and France this autumn.

Because of its size and the nature of the UK magazine market – which is highly conducive to new launches – Future UK is the test bed for many of Future's products, which, if successful, are then introduced into other territories. 1999 saw the launch of a number of new titles in the UK including *Internet Advisor, Internet Investor, Computer Music, What DVD, Mobile Computer User, DC-UK* and *Planet PC.*

One of Future's key market sectors is the video games market, in particular the Sony PlayStation, and we were delighted to announce in February 2000 that our relationship in the UK with Sony Computer Entertainment had been extended for a further two years to the end of 2001.

The PlayStation market is evolving rapidly as PlayStation 2 launches in Japan ahead of a European and US launch in the autumn. Annual sales of the PlayStation console stabilised in 1999 at 7.5 million units in Europe after a number of years of strong growth. PlayStation 2 is due to be launched in Europe in the autumn and games industry commentators are expecting consumer interest to be massive. Initial sales in Japan have been remarkable, with over a million units sold in the first week: 10 times the first week sale of PlayStation 1. We believe it will provide significant opportunities for us, most particularly from 2001 onwards.

→ **Total Film** *Total Film* demonstrates Future's ability to publish successfully outside of technology markets but in demographically related areas. *Total Film* has grown strongly since its launch three years ago and is now the No. 2 film magazine in the UK. A US version featuring a DVD covermount will be launched in 2000.


Exclusive Total Film sales up to 72,225
Total Film
THE BEST FILMS FIRST
THE UK's FASTEST GROWING FILM MAG
TOTAL MOVIE
COMING TO AMERICA
REAL SOON!
Star performance!
Huge Underlying Profit growth from non-computing mags
GROWING FAST
Now 43 non-computing titles
EXPANDING!
FROM TECHNOLOGY VIA ENTERTAINMENT HARDWARE TO ENTERTAINMENT SOFTWARE
Future Publishing
Media With Passion
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03


FOOTIE ONLINE
OVER 400,000 WEB VISITORS A MONTH
GLORY GLORY
MAN UNITED
MANCHESTER UNITED
OFFICIAL PUBLISHERS TO
TREBLE WINNERS
EXCLUSIVE!
TOP OF THE LEAGUE!
ACQUISITIONS!
THREE FOOTIE MAGS
MADE FUTURE THE UK'S NO1 FOOTBALL PUBLISHER
GLOBAL MU LICENCE!
Future Publishing
Media With Passion
FOOTBALL, MUSIC AND ELECTRONICS ALL BENEFITED
FROM BIG ACQUISITIONS THIS YEAR

United Kingdom Future's UK business, the largest part of the Group, has continued its historically strong progress. Total magazine circulation reached 2.4 million per month and, through a combination of new title launches and acquisitions, the total UK portfolio increased from 56 to 75 regular titles.

Operating profit before amortisation of intangible assets grew strongly by 42% to £18.2m. Computing titles grew 20% to £15.8m and significantly non-computing titles moved from a 1998 loss of £0.4m to a profit of £3.4m, reflecting the development of the portfolio. Considerable investment in new titles continued, Underlying Profits being £2.8m higher than the operating result. The investment amount was however reduced from 1998 reflecting the nature of the launches, which were largely in the Computing sector rather than the concentration on other specialist areas in 1998.

Future has followed a strategy of establishing strong market-leading magazines, combining premium-priced products with high value for money, and then expanding to dominate markets by launching and acquiring more focused magazines to form a market portfolio. Our magazine copy sales market shares have risen in the PlayStation sector (now at 62%), PC games (now at 46%) and monthly home computing (now at 60%). The most remarkable growth has come in the Internet magazine portfolio, where copy sales rose 89% year-on-year.

As explained above, the relationship with Sony has prospered during the year, and Future was pleased to be able to announce an extension of the *Official PlayStation Magazine* contract into a seventh year. *Official PlayStation Magazine* was named Specialist Magazine of the Year in 1999 by the PPA, the magazine industry's trade body.

Future holds market-leading positions in a number of other lucrative specialist areas, such as mountain biking, music making, football and crafts. Future's consumer specialist group overall progressed strongly in 1999, with Underlying Profits growth second only to the growth achieved by our US business.
These non-computing titles are also augmenting our international expansion and several UK consumer specialist titles were published by other parts of the Group. For example *Computer Music* was launched in France in May 1999, *T3* was launched in Germany in February 2000 and will be launched in the US later in 2000 and *Total Film* is also to be launched as *Total Movie* in the US.

During the year we acquired the rights to publish the official Manchester United and Chelsea Football Club magazines from Zone Publishing and in January 2000 strengthened our position in the home entertainment and music sectors with the purchase of *Hi-Fi Choice, Home Entertainment, Metal Hammer* and *Classic Rock* magazines and websites from Dennis Publishing.

← **Glory Glory Man United** Future acquired the licence to produce official magazines for the Treble-winning club worldwide in September. *Glory Glory Man Utd* is aimed at kids, while *Manchester United Magazine* has an adult audience. The titles, along with an official Chelsea magazine, *Total Football* and the Internet network *ufn.co.uk* have made Future the leading publisher of football magazines in the UK.

United Kingdom

	1999			1998	
£m	Magazines	Internet	Total	Total	% change
Revenues	**99.8**	**0.4**	**100.2**	88.6	13
Pro forma operating profit/ (loss) before amortisation of intangible assets	**19.2**	**(1.0)**	**18.2**	12.8	42
Underlying profit before amortisation of intangible assets	**21.0**	**–**	**21.0**	16.4	28

All results included in the review exclude amortisation of intangible assets but include the costs of employer taxes on options and share related benefits.

United States With revenues up 56% and Underlying Profits up 263%, Future's US operations had an exceptional year. Growth has come across the games and home computing portfolio, with magazine circulation increasing 26% over 1998 to 1.8 million per month by the year end.

The most significant success in the US has been *Business 2.0*, which has exceeded both copy sales and advertising targets. Total ad page count in 1999 was 1,280 pages and the December issue was up 191% year on year. The circulation base rose from 137,500 to 210,000 during the year and the magazine has won seven awards, including the *Folio* Excellence Award. *Business 2.0* is gaining a reputation as one of America's most successful magazine launches of recent years.

Significant further growth will come from *Business 2.0* in 2000, and this will be only in part due to the doubling of its frequency from May. Its international reach is also set to grow, and plans are in place for launching local editions in the UK, France and Germany during 2000.

Future currently publishes 12 magazine titles in the US and has market leadership of the lucrative PC games market thanks to its 350,000-circulation title *PC Gamer*. Further growth came from a strong debut for *Official Dreamcast* which recorded sales of 138,000 in December 1999, just four months after the introduction of the Dreamcast system. *Maximum PC* has progressed well and its website, *maximumpc.com,* has become an independent fast-growing Internet network for PC users with significant international potential – it has already been launched in the UK.

In 2000, Future will continue its diversification for music in the Internet age with new launches such as a music magazine entitled *Revolution*, US versions of Future UK's film and technology titles (*Total Film* and *T3*) and a new digital photography title called *DigitalFoto.* Linking all these launches is an innovative publishing approach applied to technology-energised sectors. For example, *Total Movie* will come with a cover-mounted DVD containing film clips and *Revolution* will feature a unique CD featuring audio tracks and MP3 music files. Both magazines will be supported by Internet activities and will continue the successful Future technique of integrating media in a differentiated way.

A combination of *Business 2.0's* frequency change, portfolio growth and major new launches will see significant revenue growth in the US, though Underlying Profits will be offset by the significant investments in expanding the portfolio.

→ **Business 2.0** Future's overwhelming success story of 1999, *Business 2.0* is the magazine of the New Economy. With surging advertising revenues and copy sales, the magazine goes fortnightly in the US and rolls out in the UK, Germany and France later this year.

United States

	1999			1998	
£m	Magazines	Internet	Total	Total	% change
Revenues	54.2	1.3	55.5	35.5	56
Pro forma operating profit/ (loss) before amortisation of intangible assets	3.5	(2.6)	0.9	(5.1)	–
Underlying profit before amortisation of intangible assets	6.9	–	6.9	1.9	263

ISSUE SIZES OF OVER 400 PAGES AS ADVERTISERS FLOCK TO B2.0

NEW ECONOMY • NEW RULES • NEW LEADERS

BUSINESS 2.0

WWW.BUSINESS2.COM

5,4,3,2,1

B2.0 takes off!
Incredible growth from the magazine that defines the New Economy, advertising up 191%

PLUS

Business 2.0 goes fortnightly in April 2000

Stand by for B2.0 in the UK, France and Germany this year

imagine MEDIA WITH PASSION

04

0 09281 01380 8

INFORMATIQUE MUSICALE ■ SAMPLING ■ SYNTHÉTISEUR ■ AUDIO ■ ARRANGEUR ■ HOME STUDIO

computer music

Création musicale sur Mac et PC

2 en 1

La musique et la micro: deux marchés pour le prix d'un!

Une marque européenne

Avec ses versions anglais, française, et espagnole, Computer Music est un succès au niveau européen

Un premier pas

En Italie et en France, Computer Music permet le secteur musique se diversifier

MP3

La révolution musicale est guidée par ce qui comprennent la technologie

03

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Future Publishing

Media With Passion

France

£m	1999 Total	1998 Total	% change
Revenues	**22.1**	21.1	5
Pro forma operating profit/(loss) before amortisation of intangible assets	**1.9**	3.0	(37)
Underlying profit before amortisation of intangible assets	**3.1**	3.9	(21)

Italy

£m	1999 Total	1998 Total	% change
Revenues	**16.6**	14.7	13
Pro forma operating profit/(loss) before amortisation of intangible assets	**3.8**	2.5	52
Underlying profit before amortisation of intangible assets	**4.0**	3.6	12

Germany

£m	1999 Total	1998 Total	% change
Revenues	**4.2**	–	–
Pro forma operating profit/(loss) before amortisation of intangible assets	**(2.1)**	–	–
Underlying profit before amortisation of intangible assets	**(1.4)**	–	–

← **Computer Music** A key factor in Future's growth is the developing of synergies between markets and between territories. *Computer Music* bridges the gap between our computing and music portfolios with stunning success. Now it is published in France and licensed in Greece and Spain, demonstrating its international potential.

France It's been a good, but not remarkable, year for Future's French business that was acquired in 1998. Underlying Profits are ahead of where they were expected to be for the year, but are down year-on-year due largely to the PlayStation effect, together with additional competitive activity that was referred to in the Interim Report. Total revenues were up 5% to £22m in 1999, and significantly higher growth is anticipated during 2000. Future currently publishes 15 monthly magazine titles and 21 regular specials in France with a total circulation of 477,500 per month.

Looking forward, the publishing infrastructure is now in place to accelerate growth in 2000. New launches are planned for the year, in particular the autumn launch of *Business 2.0*. Others will include *Future Music*, as our French business continues its diversification from computing and games along the same lines that Future has already achieved in both the UK and US.

Italy During 1999, Future has built on the acquisition in March of Il Mio Castello, a former licensee of several Future magazines. Revenues have grown well, by 13% to £16.6m, and operating profits are up 52% to £3.8m. Future publishes 12 monthly magazines in Italy and a series of one-shots with a total monthly circulation of 481,400. Due to the importance of the computer games sector within Future's Italian portfolio, the effect of the transition from PlayStation 1 to PlayStation 2 is likely to be more significant for this business than other parts of the Group and some softness was experienced in the last quarter of 1999.

The integration of the business into The Future Network is progressing well and a new Chief Executive Officer was appointed at the end of 1999 following the planned departure of the business's founder. The first half of 2000 is set to be a transitional period for Future in Italy ahead of the planned new launches in the autumn.

Germany Future Verlag was a start-up business that commenced operations in April 1999. The business was augmented in July by the acquisition of the WEKA Group's games magazine portfolio. The business is at an early stage of development and will require continued investment over the next few years. Revenues of £4.2m were achieved for the last six months of 1999.

During the year Future Verlag secured the rights to publish the official Sega Dreamcast magazine, which was launched in October 1999. *Offizielle Dreamcast Magazin* has done well with an extremely high market penetration, but lower than predicted hardware sales have meant that financially it has not met expectations.

Growth in 2000 for Future Verlag will come from a number of further launches as well as the effect of publishing the existing titles for a whole year. Launches include *T3*, which debuted in February, and, most significantly, plans are in place for the launch of *Business 2.0* in the autumn.

Other territories Future continued its growth into other countries during 1999. In December Future started operations in the Netherlands, where we launched *PC Gamer* and *N64*, and took over the publishing of our Dutch-licensed title *Future Music*. Other territories are also being actively investigated.

In addition to wholly-owned operations, Future also licenses its titles to other overseas publishers. Third-party licensing business in 1999 increased from 105 licences to 130 licences in a total of 30 countries.

Results for these activities are included within those for the UK.

Internet Future's Internet activities are managed on a country by country basis, however in order to give visibility to this important aspect of our business, Internet activities have been separately analysed out for transparency.

Future is able to create Internet properties of substantial size at very low cost. This is due to a combination of factors. Our existing magazines and Internet publications give us access to many active Internet users for promotional purposes at an extremely low marginal cost. Our Affiliate Network model allows us to aggregate content from third parties extremely efficiently. Further, we have existing relationships with both advertisers and commercial partners in our core markets. The combined effect is to give Future a low cost per eyeball-hour, and this in turn gives us a healthy revenue to expenditure ratio.

The main focus during 1999 was developing our Affiliate Network model – Future creates hub sites in its core markets, adds its own magazine-related websites, and then partners with third parties to create much larger, much more diverse, content-rich sites. Future then sells the combined advertising inventory, pays commission to the affiliates and creates additional revenue opportunities by attracting e-commerce partners. The key advantage to the model is that Future can aggregate many millions of eyeballs at relatively low cost. It can also be replicated in different subject areas and in different countries.

Future today operates some 35 revenue generating websites. Additionally it has eight specialist web networks focusing on the video games, PC, football and music sectors. The average number of unique visitors to Future's online publishing activities grew 358% in the second half of 1999 and now stands at some 4.6 million unique visitors per month, generating some 58.5 million page impressions per month.

Total Internet revenues across the Group grew to £1.7m, with fourth quarter revenue of £0.8m giving a run-rate of £3.2m. Significant growth in Internet revenues is expected for 2000 as we develop the e-commerce potential of our web networks.

In October Future's US gaming network, *dailyradar.com*, signed a significant long-term e-commerce and promotional deal with US video games retailer Babbages. This e-commerce partnership is already generating revenues and the *dailyradar.com* model is being rolled out in the UK and mainland Europe in 2000. The number of e-commerce partnerships in place will be substantially expanded during 2000, details of which will be announced in the coming months.

These results for Internet trading exclude online revenues for magazine products. We have had increasing success in building subscription revenues online in the UK and US.

Internet

	1999			1998	
£m	USA	Europe	Total	Total	% change
Revenues	**1.3**	**0.4**	**1.7**	0.7	143
Pro forma operating profit/(loss) before amortisation of intangible assets	**(2.6)**	**(1.0)**	**(3.6)**	(0.2)	–

→ **dailyradar.com** Future's dominance of the video games market in print is extended onto the Internet by the comprehensive games news and reviews site *dailyradar.com*, which was first launched in the US and now is also produced in Europe. Our e-commerce partnership with Babbages in the US gives us a share of the revenues from games sold through the site.

E-commerce is the future!

gamestop!com

[Click here to find a store near you](#)

Our partnership with Babbage's GameStop.com, one of the leading games retailers, means that Future benefits from the games sold to our readers

Huge readership; enormous traffic

In March 2000 *dailyradar.com* had over one million visitors making it Future's most-read publication on-line or off-line

Ad revenues soar

Over 36 million advertising impressions were delivered to *dailyradar.com* visitors in March 2000; a huge promotional resource for Future and its advertising partners

Time for 2

The US and European launch of PlayStation 2 this autumn will open new markets in late 2000 and 2001

Today's Hits

dailyradar.com goes worldwide

dailyradar.com launch

dailyradar.com will launch in the UK this summer, incorporating the successful *futuregamer.com*. It will launch in mainland Europe later this year

Entertaining stuff

dailyradar.com's entertainment coverage will be enhanced by *Total Film* and, later this year, *Total Movie*

Daily RADAR .com

PC
Sony
Sega
Nintendo
Showbiz

News Q&A Letters

Buy Online

Diablo II Collector's Edition

DIABLO

Search Go

UGO GOLD Partner

Newsletter

get DailyRadar email

your email

Go

DailyRadar
- Staff
- Jobs
- Advertising

Imagine Magazines
- PC Gamer
- Next-Gen
- PCXL
- PSM Online
- Dreamcast

1
2 3
4
5 6
7

Directors

1 Chris Anderson (age 42) Executive Chairman†
Chris Anderson trained as a journalist working variously for several newspapers, radio programmes and magazines, and formed Future Publishing Limited in 1985. Following the sale of Future Publishing Limited to Pearson in 1994, Chris Anderson purchased GP Publications, which had been purchased by Future in 1993 and was subsequently renamed Imagine Media, Inc. Chris Anderson joined the Board of Future Publishing Holdings Limited as non-executive Chairman following the management buy-out from Pearson in April 1998. He was appointed as a Director of the Company on 11 May 1999. He is also a Director of, and significant shareholder in, Snowball.com, Inc., with which the Company has a commercial relationship.

2 Greg Ingham (age 39) Chief Executive
Greg Ingham began his publishing career as a journalist at Reed International plc in 1983. He joined Future Publishing Limited in September 1988 as Publisher. He was appointed Managing Director in January 1996 and, following the management buy-out from Pearson in April 1998, was appointed Chief Executive of Future Publishing Holdings Limited. He was appointed as a Director of the Company on 11 May 1999. He is married to Jane Ingham, Managing Director of Future Publishing Limited and a Director of Future Publishing Holdings Limited.

3 Ian Linkins (age 46) Finance Director and Company Secretary
Ian Linkins worked at Reed International plc for 17 years, leading the operational and financial functions of several Reed companies. He joined Future Publishing Limited in June 1991 as Finance Director and was appointed Finance Director and Secretary of Future Publishing Holdings Limited in April 1998 following the management buy-out from Pearson. He was appointed Director and Secretary of the Company on 11 May 1999.

4 Barbara Manfrey (age 44) non-executive+†
Barbara Manfrey joined Apax Ventures as a Director in 1992. She has over 20 years' experience in the venture capital industry, during which time she has specialised in media investing. Prior to joining Apax Ventures, Barbara Manfrey was a Managing Director of E.M. Warburg, Pincus and Co., Inc., where she co-founded and co-managed the firm's London operations. She was appointed a non-executive Director of Future Publishing Holdings Limited in April 1998 following the management buy-out from Pearson and a non-executive Director of the Company on 11 May 1999.

5 Paul Fitzsimons (age 38) non-executive*
Paul Fitzsimons is a Director of Apax Ventures, where he specialises in the media sector. He joined Apax Ventures in 1992 having previously worked at Arthur Andersen as a Chartered Accountant. Paul Fitzsimons was appointed non-executive Director of Future Publishing Holdings Limited in April 1998 following the management buy-out from Pearson and a non-executive Director of the Company on 11 May 1999.

6 Brendan Clouston (age 46) non-executive*+†
Brendan Clouston has recently settled in London where he manages private investments and is involved in charitable activities and educational trusts. He retired from Tele-Communications Inc (TCI) in February 1998, where he served as Executive Vice President and Chief Operating Officer responsible for domestic analogue and digital video services, satellite and telephone investments and the Internet services division. TCI was recently acquired by AT&T. He serves on the board of trustees of the Ivy Business School in London, Ontario where he obtained his MBA in 1979. He was appointed Director of the Company on 4 June 1999.

7 Roger Parry (age 46) non-executive*+†
Roger Parry is Chief Executive of Clear Channel International, the non-US operations of Clear Channel Communications Inc, a global media company listed on the New York Stock Exchange with 625 radio stations, 21 television stations and approximately 300,000 outdoor advertising displays in 26 countries worldwide. Roger Parry was formerly Chief Executive of More Group plc, the leading European outdoor advertising company, which was acquired by Clear Channel in June 1998. Previously he was one of the management team which restructured Aegis plc. He spent time with McKinsey, the international consulting firm, and before that was a journalist with BBC TV and radio. He is also a non-executive Director of Gold Rose Communications plc and Johnston Press plc, and a trustee of the International Shakespeare Globe Theatre. He was appointed Director of the Company on 4 June 1999.

*Member of the Audit Committee
+Member of the Remuneration Committee
†Member of the Nomination Committee

What has become The Future Network plc began in 1999 as Future Publishing Holdings Limited – the combined UK and French business financed by venture capital – and was significantly debt leveraged. During the year Future has been transformed in both size and scope by the acquisition of businesses in Italy, the US and Germany, and in capital structure with the issue of new shares in connection with the US acquisition and the London Stock Exchange Listing.

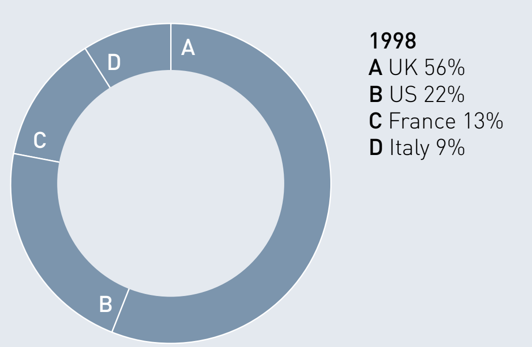
Our traditional core business of computer and video games magazines has always been weighted towards the second half of the year because of the holiday season. This second half weighting in Adjusted operating profit terms has been significantly larger this year because the business, especially in the US, has been growing so strongly overall.

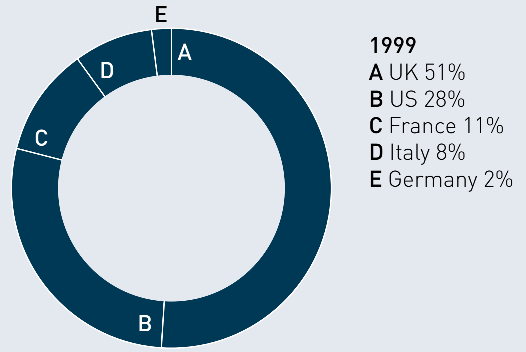
Revenue has grown £38.6m (24%) but the strongest trend has been the growth in the US and this is expected to continue in 2000. US magazines now account for 28% of total revenue, up from 22% in 1998.

Revenues in the second half were 56% of the full year (1998: 56%) and were 25% up on 1998. The effect on profits is even more marked; Adjusted operating profit for the second half was 80% of the full year (1998: 56%) up 144% on 1998. The US business has progressed from investment into strong profit during the year, outweighing the additional amounts invested in the Internet and in building our business in Germany.

Our business has a high proportion of revenues derived from copy sales, with advertising being primarily from endemic rather than brand advertising. In 1999 33% of our revenue is from advertising, up from 28% in 1998, as the US part of our business, which is more advertising based, has become a larger proportion of the whole.

Change in pro forma revenue split, 1998 to 1999

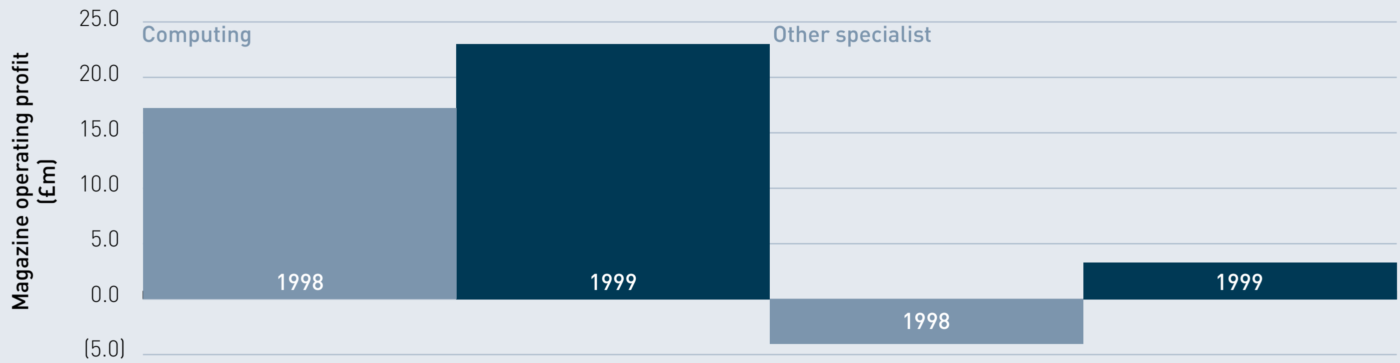




Adjusted pro forma operating profit before amortisation of intangible assets has grown £9.0m (69%). The Group's leadership of its core markets in computing and videogames has historically driven its growth and continues to do so – in 1999 on an international scale. Adjusted pro forma operating profit before amortisation of intangible assets in this sector has grown 23% on revenues up 16%.

In addition there is very clear progress in the other special interest markets we serve. In the UK these markets are now strongly profitable, and it is these magazines that are now being launched elsewhere in the Group, primarily in 2000 in the US. *Business 2.0* is now profitable in the US and will launch in Europe in 2000.

Magazine operating profit excluding central costs



Underlying profitability For two principal reasons we manage Future on the key metric of Underlying Profit – and we encourage investors to judge us on this basis.

The first relates to our structure. Future's business is in reality a portfolio of over 130 businesses – magazines and Internet networks that operate financially on their own separate revenues and profit streams. Our objective is to grow the core of profitable titles – the Underlying Profit.

The second relates to growth. Future's fast growth is driven by our ability to successfully invest in new projects. These investments – often small, sometimes substantial – are targeted at areas where we see the potential for future profitability. We operate in high growth markets and invest now for future Underlying Profit.

The Group's headline operating profit is net of the Investment in launches, and in the short term obscures the view of the progress made, being as much a factor of the scale of opportunity as the core performance of the Group. The *real* measure of our Group is, we believe, a combination of the growing core profit stream delivered by the profitable businesses together with a judgement on our ability to invest wisely in new projects.

We have adopted a definition that we believe achieves a clear and fair measure for Underlying Profit – we exclude any titles less than two years from their launch in which we are still Investing. Magazines therefore have a maximum of two years as Investments, before their costs impact our Underlying Profit, a short period in magazine terms, particularly for US titles. It is a measure that we will continue to apply in reporting our results. As a result:

	Underlying 1999 £'000	Underlying 1998 £'000	Growth	**Investment 1999 £'000**	Investment 1998 £'000	**Total 1999 £'000**	Total 1998 £'000
Magazines							
UK	**20,975**	16,383	28%	**(1,751)**	(3,574)	**19,224**	12,809
US	**6,855**	1,868	267%	**(3,304)**	(7,056)	**3,551**	(5,188)
France	**3,136**	3,900	(20%)	**(1,272)**	(871)	**1,864**	3,029
Italy	**4,026**	3,590	12%	**(223)**	(1,045)	**3,803**	2,545
Germany	**(1,368)**	–	–	**(755)**	–	**(2,123)**	–
Magazine operating profit	**33,624**	25,741	31%	**(7,305)**	(12,546)	**26,319**	13,195
Internet	**–**	–	–	**(3,563)**	(173)	**(3,563)**	(173)
Central operating costs	**(718)**	–	–	**–**	–	**(718)**	–
Total	**32,906**	25,741	28%	**(10,868)**	(12,719)	**22,038**	13,022

This approach gives greater clarity to the development of the UK and US businesses and the pressures in mainland Europe. It also shows that our recent launch activity, though similar in volume to last year (25 titles as against 24 in 1998), tended to be in areas requiring lower Investment. The 1998 Investment in the US was driven by the launch of *Business 2.0* and in the UK by launches outside computing markets. By 1999 these were feeding the growth in Underlying Profit.

The pro forma loss before tax of £12.8m in 1998 has been turned into a pro forma profit before tax of £3.9m for 1999, due both to operating and one-off factors described in more detail below. We have therefore shown an Adjusted pro forma profit after tax to eliminate the one off items which shows almost a threefold improvement from £4.3m Adjusted profit after tax in 1998 to £12.4m Adjusted profit after tax in 1999. Adjusted basic and diluted earnings per share have improved from 3.17 pence to 8.99 pence.

Factors affecting the results The following items, including one-off or non-operating costs, have been eliminated in arriving at the Adjusted pro forma profit shown in the Group Activity Analysis below.

- As the Group has been brought together by acquisition, the balance sheet contains significant goodwill requiring a significant amortisation charge in the profit and loss account amounting to £24.8m on a pro forma basis for 1999 (1998: £23.2m). This charge has no impact on cash flow and management focus, and most of our analysis is of the pre-amortisation figures. An element of subjectivity is involved in setting asset lives of acquired businesses, and these have been decided on a case-by-case basis. Established magazine businesses such as those owned in Europe have been estimated to have a life of 20 years. Those which were not profitable at the time of acquisition, such as Imagine, or required investment to have a long term future, such as those acquired in Germany, have an estimated life of 10 years.
- We have made a charge of £1.4m in the pro forma profit and loss account in 1999 (1998: £nil) for the employer taxes on option and share related benefits generated by the rise in market value of shares compared with the exercise price in line with the new accounting standard FRS12: Provisions, contingent liabilities and contingent assets. The provision is driven in the short term by market events rather than trading, and is based on the year end share price. The actual cost incurred will depend on the share price at the time options are exercised, the number of options which vest on the basis of performance criteria and the number which lapse due to option holders leaving our employment.
- At the time of acquisition by the Group, Imagine held shares in America Online Inc, that company having previously acquired a company in which Imagine had held an investment. The Group sold 90% of its holding in September 1999 generating a pro forma gain of £10.9m.

Dynamics of the business The most significant risks for the business, should the strategy not be successful, are assessed by management to be:

- The Group operates primarily in high growth and competitive market sectors, and has historically generated its growth as a result of launching new titles, both to reflect development of existing markets but also to enter new markets, launches carrying a higher risk of failure than established titles. An expanded opportunity now exists to launch titles which are successful in one territory elsewhere within the Group and this will require increased investment in the short term. Prime examples of this strategy are seen in the launch of *Business 2.0* in the UK, France, and Germany, following its success in the US and the launch of the UK title *T3* in Germany and the US.
- The Group has specialised in the fast developing computer entertainment market which has been subject to cycles associated with new hardware launches, and will be affected by the development of Internet-based products. These gaming markets are now in a transitional period and the Group is seeking to build on its current success in the new hardware environment. Past trends indicate that each successive phase of development has been bigger than the previous one.

Investments Principally through its Imagine subsidiary in the US, the Group has made trade investments, or (prior to acquisition) spun-out activities into separate companies, with a view to maximising their value. At the balance sheet date fixed asset investments were held at a cost of £2.4m (1998: £nil).

In addition a gain of £10.9m has been made on the sale of a shareholding in America Online Inc as described above. The remaining investment is held as a current asset and amounted to £1.0m at 31 December 1999 (1998: £nil).

Financing In order to protect the Group from unexpected interest rate fluctuations, £27m of the floating Sterling term debt is the subject of swap contracts effectively fixing the interest rate at 7.15%. The Group does not trade in such instruments independently of the operational requirements of the business. The Group has considered its hedging requirements and concluded that currently it does not need to be hedged against exchange rate fluctuations as trading inflows, trading and interest costs are broadly aligned within the UK, US, and Euro currency areas. Further details are given in note 22 to the accounts.

Acquisitions The Company has made substantial acquisitions in connection with the establishment of its activities in Italy and the US; these are detailed in note 28 to the accounts.

Established businesses have been augmented by supplementary acquisitions in the second half of the year:

- The start-up business established in Germany in March 1999 was augmented by the purchase of computer games titles from WEKA Firmengruppe on 1 July 1999. These titles have required further investment since acquisition to improve their market position.
- Late in 1999, Future acquired three football magazines from Zone Publishing, including the licence to publish *Official Manchester United Magazine*. Due to the timing and additional promotional spend on the magazines, they did not contribute significantly to 1999's profits. Future also acquired four technology and music magazines and websites from Dennis Publishing in January 2000, and is actively seeking other opportunities.

Cash The Group has undergone significant change to its balance sheet in 1999, with the proceeds from the Listing (£135m net of expenses) being used to reduce the level of corporate debt, which had originally been established at the time of the leveraged buyout of the UK and French companies.

On Listing the Group obtained a £100m secured debt facility of which £42.5m is drawn down, the balance being available for a mixture of acquisition and working capital needs, subject to a range of covenants. Further details, including the undrawn available committed facilities, are provided in note 22 to the accounts. In addition the Group has cash of £18.9m available primarily as a result of trading cash flow and the sale of America Online Inc stock in September 1999. The business has a relatively low working capital and capital expenditure requirement and as a result is cash generative even in a period of significant growth.

The reduced debt level following the Listing has significantly reduced interest costs but this can only be partially seen in the actual interest charge reduction because the significant indebtedness was first established in April 1998, and the new corporate debt was only established at Listing in June 1999.

Dividend As was indicated at flotation, in view of the scope for profitable development of the business and the need to fund development spend from cash flows no dividend payment is proposed.

Earnings per share Pro forma basic and diluted loss per share has improved from (13.83 pence) in 1998 to (2.11 pence) in 1999 due to a number of factors as discussed in the section on factors affecting results. Adjusted basic earnings per share have improved from 3.17 pence to 8.99 pence, and from 2.88 pence to 8.22 pence on a diluted basis in 1998 to 1999 respectively.

Taxation The pro forma profit before tax, after eliminating goodwill arising on consolidation, was £25.5m (1998: £8.7m) providing an effective tax rate of 26.8% (1998: 69.7%).

The pro forma tax charge after eliminating goodwill arising on consolidation was lower than the standard UK corporation tax rate of 30.25% due primarily to the deductibility of costs in respect of share options, and the availability of tax losses in Imagine to offset its pre-acquisition profits, including the substantial gain on fixed asset investments amounting to £10.9m in pro forma profits. This was partially offset by non-utilisation of tax losses in Germany and by higher rates of tax payable in jurisdictions other than the United Kingdom.

Directors' Report

for the year ended 31 December 1999

The Directors of The Future Network plc ('the Company') present their Report together with the audited financial statements for the period 22 April 1999 to 31 December 1999. The Company was incorporated in England on 22 April 1999 under the Companies Act 1985 as a private company limited by shares with the name Arenabeam Limited. On 21 May 1999 the name of the Company was changed to The Future Network Limited, and on 14 June 1999 the Company was reregistered as a public limited company.

Flotation On 11 June 1999 the Company acquired Future Publishing Holdings Limited ('Future Publishing Holdings') and its subsidiaries in exchange for shares in the Company. Details are set out in note 23 to the accounts. On 18 June 1999, the Company issued Listing Particulars which contained details of an offer of shares in the Company. On 25 June 1999 136,663,881 shares were unconditionally admitted to the Official List of the London Stock Exchange of which 38,000,000 were newly issued fully paid and a further 33,863,147 in total were issued or made available for issue in connection with the simultaneous acquisition of Imagine, the Company's US subsidiary.

Business review, activities and future developments The Group is a leading publisher of video game, home computing and other specialist consumer magazines and Internet websites in the UK, Continental Europe and the US. The Group's principal subsidiaries are Future Publishing Limited ('Future Publishing') in the UK, Edicorp Publications SA ('Edicorp') in France, Imagine Media, Inc. ('Imagine') in the US, Il Mio Castello Editore SpA ('Il Mio') in Italy and Future Verlag GmbH ('Future Verlag') in Germany. Further details of these operations and the Directors' plans for development and growth are included in the Chief Executive's Review on pages 19 to 29 and the Finance Director's Report on pages 32 to 35.

Financial results Group loss before tax for the year was £3,135,000 (1998: loss £3,721,000). After deducting taxation of £3,530,000 (1998: £1,000,000), the retained loss for the financial year amounted to £6,665,000 (1998: £4,721,000) which has been transferred to reserves.

Details of results on a pro forma basis are included in the Pro Forma Group Profit and Loss Account on page 45 and are discussed in the Chief Executive's Review and Finance Director's Report on pages 19 to 35.

No dividends are recommended for payment.

Policy on payment to suppliers The Company is a holding company and as at 31 December 1999 had no trade creditors. It is the Company's policy that payment is made in accordance with suppliers agreed terms provided that suppliers perform in accordance with those agreed terms and in accordance with its contractual and other legal obligations. It typically pays suppliers between 30 and 45 days.

Acquisitions During the year the Group made a number of acquisitions and investments for a total consideration of £179,411,000. Details of these transactions are set out in note 28 to the accounts. An acquisition made subsequent to the year end is described in note 32.

Directors The Directors of the Company for the period from 22 April 1999 to 11 May 1999 were Instant Companies Limited and Swift Incorporations Limited.

The Board of Directors at the date of this Report comprises seven Directors: three Executive Directors and four non-executive Directors. The names of the Directors together with their dates of appointment and brief biographical details are set out on pages 30 and 31.

All of the Directors, having been appointed during 1999 and their appointment not having been approved by the shareholders of the Company in General Meeting, will retire at the Annual General Meeting in accordance with the Articles of Association and, being eligible, offer themselves for reappointment.

The Board's report on Directors' remuneration is set out on pages 37 to 40 and includes details of Directors' share options on page 39, and pension arrangements and their interests in shares of the Company and Group companies are set out on page 40. The Company's Register of Directors' Interests, which is open to inspection at the Company's registered office, contains full details of Directors' shareholdings and options to subscribe for shares. Certain details of Directors' interests are also included in note 31 to the accounts.

Corporate governance The Board's report on Corporate Governance, including the Directors' statement on responsibilities for the preparation of financial statements is set out on pages 41 and 42.

Employee involvement During the year the Group 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. We encourage employee involvement in the Group, and 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 Group. This has been achieved by methods such as the issue and distribution of regular Company magazines and newsletters, and by regular meetings between managers and employee representatives. In addition, the Board believes that the inclusion of all employees in the Group's share option schemes are an important part of ensuring that all employees feel included as integral parts of the Group and remain fully committed to its continuing success.

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

Year 2000 and introduction of the Euro The Group undertook a range of measures to avoid disruption of the business due to the 'Year 2000' issue. In the main, these constituted a study to ensure compliance in internal systems and some acceleration in IT investment in areas of non-compliance. As this investment was primarily directed at additional functionality rather than 'Year 2000' compliance, it is not possible to isolate an amount spent solely on obtaining 'Year 2000' compliance. The Group has to date not experienced any disruption to its operations as a result of the date change.

The Group has operations in countries involved in the transition to trading in Euros. Currently the Group continues to denominate transactions in their local national currencies. However we are preparing to account in Euros, and do not anticipate that the change will involve significant costs or have any significant operational impact.

Charitable and political contributions During the year the Group has made charitable contributions amounting to £11,000 (1998: £5,000). No political contributions were made.

Employee share schemes The Company has a policy of wide participation in employee share schemes.

Prior to Listing, the Group operated The Future Publishing Holdings Limited Unapproved Share Option Plan established on 24 July 1998. No further grants have been made under this scheme since Listing and no further options will be granted under this plan.

Since Listing the Group has established a range of share option plans which are detailed in note 24 to the accounts. The principal schemes are The Future Network plc 1999 Senior Management Share Option Scheme details of which are included on pages 39 and 40 in the Remuneration Report, and The Future Network plc 1999 International Share Option Scheme.

Share and other interests The interests of the Directors during the period according to the register maintained under Section 325 of the Companies Act 1985 (as amended) are set out on page 40.

The Company has received notification of interests in the issued ordinary share capital of the Company in accordance with Section 198 of the Companies Act 1985 (as amended). At 10 March 2000 the interests notified amounting to 3% or more of the ordinary share capital of the Company is set out in the following table:

Member	Number of shares	Percentage of issued share capital
C Anderson	37,895,658	26.8
Apax Partners and Co Ventures Holdings Limited	17,212,762	12.3
Apax Scotland VI L.P.	5,028,319	3.6
G Ingham	4,956,933	3.5

Post balance sheet events Details of post balance sheet events are set out in note 32 to the accounts.

Annual General Meeting The Company's first Annual General Meeting will be held on Wednesday 21 June 2000.

Auditors PricewaterhouseCoopers were appointed by the Directors as auditors of the Company on 11 May 1999. PricewaterhouseCoopers have expressed their willingness to continue in office as auditors and their reappointment will be proposed at the Annual General Meeting.

Approved by order of the Board

Ian Linkins Company Secretary
20 March 2000

Remuneration Report

Remuneration Committee The Remuneration Committee was established on 4 June 1999 and on that date the three non-executive Directors, Roger Parry (Chairman of the Committee), Brendan Clouston and Barbara Manfrey were appointed as members of the Committee. They have remained in office throughout the remainder of the year. The Executive Chairman of the Company attends meetings by invitation of the Committee.

Whilst Barbara Manfrey is not considered to be an independent non-executive Director, the Board regards her as independent for the purposes for which the Remuneration Committee is established and as someone who can provide continuity from the pre-Listing period of the Group's life.

The Committee is responsible for determining the annual salaries, incentive arrangements, service contracts and all other terms and conditions of employment of the Executive Directors, and the performance and development of its senior management. The Committee also provides advice to the Executives on significant policies affecting the remuneration of senior management below the Board level. The Committee has access to advice from external consultants as it considers necessary. As the Company is in its first year of trading as a Listed company, it has sought the advice of Towers Perrin, remuneration consultants, in assisting the Committee in determining the practices and levels of remuneration of such companies of similar size for the forthcoming year. The Committee is also responsible for approving the terms of share incentive arrangements for all senior management and employees across the Group.

Compliance with the Combined Code The Board has applied the 'Principles of Good Governance' contained in the Combined Code ('the Code') issued by the 'Committee on Corporate Governance' as they relate to Directors' remuneration, in the manner described below. In relation to the Company's performance related remuneration policy, the Remuneration Committee has followed Schedule A of the Combined Code, and, in relation to disclosures of Directors' remuneration, the Committee has complied with Schedule B of the Combined Code, issued in June 1998, appended to the Listing Rules of the London Stock Exchange. Any non-compliance with specific provisions is explained in this Report.

In preparing this report, the Board has followed the provisions in Schedule B of the Code.

Policy on remuneration of Executive Directors

(i) Company's policy
In determining the Company's policy on Executive Directors' remuneration, the Committee has regard to the following objectives:

(a) Remuneration packages offered to Executive Directors are designed to be competitive, being comparable with packages available within other groups operating in similar markets and on a similar scale, including competitors.

(b) Remuneration packages, including long term incentive plans, are fixed for individual Directors so as to attract, retain and motivate Executives of the highest calibre, and at the same time optimise interests of shareholders.

(c) The policy also has regard to the Group's history as a privately owned group in which the Executive Directors' hold significant shareholdings in the now Listed Company, and of packages within the Group, and taking account of recent acquisitions in markets which are different outside the United Kingdom.

(d) Annual rewards and long term incentives include a significant element of performance-related remuneration, which align with the Group's achievement of its results, and individual Directors' contributions.

(ii) Basic salary
In assessing the level of basic salary for each Executive Director, account is taken of the pay practices of such other companies as the Committee and its external compensation consultants consider appropriate, the responsibilities of each Director, and pay awards elsewhere in the Group. Salaries are reviewed annually by the Remuneration Committee.

(iii) Annual performance related bonus and underlying performance of the business
A four year annual bonus plan has been set for each Executive Director individually, but on common performance targets based on both revenue and profit growth. The revenue related part of the bonuses only becomes payable where the profit element has been achieved. Adjustment is made to reflect the impact on a year's results caused by acquisitions or disposals and for variation in the level of Investment spending. The plans extend for one four year period commencing on the date of flotation of the Company on 25 June 1999. The Remuneration Committee intends that the targets against which the payment of performance bonuses will be assessed should be demanding, and reflect the Company's stated strategy to increase the profitability of its underlying business, while investing significantly for growth. As performance bonuses are based on revenue and profit growth there are no maximum levels for bonuses. 50% of the calculated annual bonus will be payable each year, and the remainder will be paid at the end of the four year period. The deferred element is forfeited if the Executive Director leaves the Company within the four year period.

(iv) Long term incentive plans and interests of shareholders
At flotation, under the Senior Management Share Option Scheme, share options, approved by the Remuneration Committee, were awarded at the market price at the date of grant to each Executive Director equal in value to four times basic salary. The options vest based on performance criteria set by the Remuneration Committee. The criteria is set with reference to the increase in shareholder return relative to a comparator group of companies in the media industry chosen by the Remuneration Committee.

The deferred element of the annual performance related bonus referred to above is considered to be a long term incentive plan.

(v) Pensions
Post-retirement benefits, which comprise only pensions, are based on contributions paid under a Group Personal Pension Plan. The only element of remuneration which is pensionable is basic salary, excluding all bonuses and benefits in kind.

Details of the key elements of current salary levels, annual performance related bonuses and pensions are given on page 38. Details of the Company's share option schemes for each Executive Director are given on page 39. Directors' share interests are given on page 40.

Policy on non-executive Directors' remuneration

(i) Remuneration of non-executive Directors
The remuneration of the non-executive Directors is determined by the Board as a whole. The non-executive Directors do not take part in discussions on their remuneration. Non-executive Directors do not have share options, nor participate in any share or incentive scheme nor any pension arrangements with the Company.

(ii) Interests in shares
At flotation non-executive Directors were permitted to buy shares in the Company at the admission price. Details of non-executive Directors' interests in shares in the Company are given on page 40.

Policy on service contracts

(i) Service contracts of Executive Directors

Greg Ingham and Ian Linkins have service contracts with the Company, which are terminable on one year's notice. Compensation for early termination is limited to one year's basic salary and benefits. Chris Anderson has a letter of appointment with the Company and a service agreement with Imagine Media, Inc. The notice period to be given by either party to terminate the letter of appointment is one year. The Company and Imagine Media Inc (in relation to Chris Anderson) are entitled at their respective discretion to terminate the employment of the Executive Directors with immediate effect by paying salary in lieu.

(ii) Service contracts of non-executive Directors

Non-executive Directors do not have service contracts with the Company. It is the policy of the Company not to appoint non-executive Directors for specified terms, so that they can be removed by shareholders at any time without a claim for compensation. This diverges from the Combined Code that provides that non-executive Directors should be appointed for specified terms. Non-executive Directors will stand for election every three years, and their initial terms will be staggered to avoid retirement simultaneously.

All Directors are offered for re-election at the forthcoming Annual General Meeting.

Policy on external appointments The Company recognises that exposure of its Executive Directors to other Boards can broaden their experience and knowledge. Executive Directors are therefore allowed to accept non-executive appointments, with the Board's approval. Chris Anderson, Executive Chairman of the Company, is an Executive Director of certain other companies. Details of his Directorships and his related party transactions are shown in note 31 to the accounts.

Emoluments of the Directors The emoluments of the Directors of the Company (including any entitlements to fees or emoluments from subsidiary companies) were as follows:

(i) Aggregate emoluments

	1999 £'000	1998 £'000
Salaries and fees	439	251
Benefits	19	19
Annual performance-related bonuses	125	196
Non recurring Listing bonuses	229	–
Pension contributions	18	17
Total	830	483

(ii) Individual emoluments of Directors

	1999						1998
	Salary and fees £'000	Benefits £'000	Performance-related bonuses £'000	Non recurring Listing bonus £'000	Pension contributions £'000	Total £'000	Total £'000
Executive Directors							
C Anderson	85	–	51	–	–	136	9
G Ingham	180	10	39	158	9	396	308
I Linkins	110	9	35	71	9	234	166
Non-executive Directors							
B Clouston	16	–	–	–	–	16	NA
P Fitzsimons	16	–	–	–	–	16	–
B Manfrey	16	–	–	–	–	16	–
R Parry	16	–	–	–	–	16	NA

(a) Information included above is in respect of the period 1 January to 31 December 1999 and includes amounts paid by the Company, Future Publishing Holdings, Future Publishing and Imagine from the date of acquisition by the Company (1998: Future Publishing Holdings Group only).

(b) C Anderson received £21,784 in respect of his services as Chairman of the Company and £63,058 in respect of his services as Director of Imagine. In the period prior to flotation, he was a non-executive Director of Future Publishing Holdings and received £9,000 in respect of fees for those services.

(c) G Ingham received salary of £100,000 in respect of his services as Executive Director of the Company for the period post flotation, and £80,000 in respect of his services as a Director of the Future Publishing Holdings Group in the period 1 January to 24 June 1999.

(d) I Linkins received salary of £62,500 in respect of his services as Executive Director of the Company for the period post flotation, and £47,500 in respect of his services as a Director of the Future Publishing Holdings Group in the period 1 January to 24 June 1999.

(e) G Ingham was the highest paid Director in the year.

(f) The three Executive Directors have retirement benefits accruing under money purchase pension schemes.

(g) P Fitzsimons and B Manfrey were appointed to the Board of Future Publishing Holdings on 24 April 1998 as representatives of Apax Partners & Co Ventures Limited and were entitled to be paid their reasonable costs and out of pocket expenses.

(h) The performance-related bonuses in the table above include the deferred elements accruing under a long term incentive scheme as described on page 40.

Share schemes The Executive Directors of the Company were granted options at flotation under the Senior Management Share Option Scheme (the 'Senior Management Scheme') over The Future Network plc shares. Other senior Executives also participate in the Senior Management Scheme and details are provided in note 24 to the accounts.

Options have been awarded in one block as a mechanism to incentivise the Executive Directors following the flotation, and taking into account each Executive Directors' substantial shareholding which existed pre-Listing.

The options under the Senior Management Scheme are subject to performance criteria which requires that options vest if the growth in the Company's shareholder return over a three year period relative to a comparator group of companies reaches the following targets:

(i) If the Company ranks above the 80th percentile of the comparator group the options will become exercisable in full.

(ii) If the Company ranks above the 50th percentile of the comparator group one-quarter of the options will become exercisable.

(iii) Between the 50th and 80th percentile of the comparator group the options will become exercisable on a pro rata basis between one-quarter and in full.

(iv) If the Company ranks below the 50th percentile of the comparator group the options do not vest.

The current comparator group of companies comprise:

Carlton Communications plc
Daily Mail & General Trust Plc
EMAP Plc
Mirror Group Plc
Pearson Plc
Reed Elsevier Plc
United News and Media Plc

The Remuneration Committee are reviewing this comparator group and intend to revise the group to provide a more appropriate group which reflects similar business interests on the same international scale as The Future Network Group.

The growth in the total shareholder return is the growth in the market value of a notional shareholding in the three year period ended at the end of the month 36 months from the date of the grant. The notional shareholding takes account over the three year period of distributions, capitalisation issues, subdivision, consolidation or reductions in capital.

Directors are encouraged to hold their shares for a further period after vesting, subject to the need to finance any costs of acquisition and associated tax liabilities.

Option grants have also been made at flotation and subsequently over the Company's shares under the International Share Option Scheme to senior management and employees who have not received options under the Senior Management Scheme. These options are subject to performance criteria which are linked to growth in earnings per share, and differ from the performance criteria for the Senior Management Scheme. Details are provided in note 24 to the accounts. The Remuneration Committee has considered the appropriateness of the performance criteria for the International Share Option Scheme for 2000 in the light of the Group's current strategy, and it has agreed to waive such criteria for the year ended 31 December 2000 as it does not align with the interests of the Group.

In 1998 Future Publishing Holdings granted options to all employees other than the Directors of that company under The Future Publishing Holdings Limited Unapproved Share Option Plan, details of which are also provided in note 24 to the accounts. Options granted under this plan were not subject to performance criteria.

All options under these schemes have been granted at the market price at the time of grant. Numbers of share options granted and to be granted will be limited to those recommended by the current ABI guidelines.

Details of options held under the Senior Management Scheme by Directors in the Ordinary shares of The Future Network plc as at 31 December 1999, and movements during the year are shown as follows:

Interests in share options

	Date of grant	Earliest exercise date	Expiry date	Exercise price (pence)	Granted in year	Number at 31 December 1999
C Anderson[1]	**25 June 1999**	**25 June 2002**	**25 June 2009**	**385**	**138,528**	**138,528**
G Ingham[2]	**25 June 1999**	**25 June 2002**	**25 June 2009**	**385**	**337,662**	**337,662**
I Linkins	**25 June 1999**	**25 June 2002**	**25 June 2009**	**385**	**129,870**	**129,870**

[1] In addition to the information provided in the table above, under to the rules of the Imagine Stock Appreciation Rights Scheme, as converted into the 1999 Plan (The Future Network option plan for Imagine employees) 81.2% of any rights to acquire shares in the capital of the Company, which lapse from an Imagine employee ceasing to be employed automatically revert to Chris Anderson. Consequently, as at 31 December 1999 C Anderson also was entitled, under the operation of the 1999 Plan, to subscribe 1,007,481 Ordinary shares of the Company at a subscription price of 1 pence per share. In addition, participants in the Imagine Media Stock Appreciation Rights Scheme (as subsumed into the 1999 Plan) have the right to receive a cash sum instead of the shares under option to which they are entitled. C Anderson agreed with the Company that he would meet the cost of any such payments, on the basis that he would then become entitled to subscribe for the number of shares which any such employee held under option at the relevant option exercise price. As at 31 December 1999, by reason of certain employees electing for this option to take cash instead of the option shares to which they were entitled, C Anderson was entitled to subscribe an additional 1,341 Ordinary shares for an aggregate consideration of £4,308. Further details of these arrangements, all of which relate to the acquisition of Imagine by the Company, are set out in note 31 to the accounts.

[2] Included within the number of share options for G Ingham are 129,870 share options which have been granted to J Ingham, G Ingham's wife.

No options were exercisable during the year. The middle market price of The Future Network plc Ordinary shares during the year was in the range 385 pence to 904 pence. The average price for the year was 608 pence and the year end price was 852.5 pence.

Interests in shares The interests of the Directors in the shares of the Company and other Group members were:

Directors' interests in the share capital of Future Publishing Holdings Limited As at 1 January 1999, The Future Network plc had not been incorporated. The Directors' interests in the share capital of Future Publishing Holdings Limited are set out below:

Name	Position at start of year 'A' shares	Position at start of year 'B' shares	Il Mio Financing 'A' shares	Share premium capitalisation issue 'A' shares	Share premium capitalisation issue 'B' shares	Position prior to share exchange 'A' shares	Position prior to share exchange 'B' shares
Executive Directors							
C Anderson	178,819	28,650	33,223	6,810,494	920,198	7,022,536	948,848
G Ingham[1]	–	148,025	–	–	4,754,357	–	4,902,382
I Linkins	–	42,975	–	–	1,380,297	–	1,423,272
Non-executive Directors							
B Manfrey[2]	859,326	–	159,653	32,728,187	–	33,747,166	–
P Fitzsimons[2]	859,326	–	159,653	32,728,187	–	33,747,166	–
R Parry	–	–	–	–	–	–	–
B Clouston	–	–	–	–	–	–	–

[1] G Ingham's beneficial holding amounted to 3,162,827 'B' shares; in addition G Ingham was deemed to be interested in 1,739,555 'B' shares held by his wife, Jane Ingham.

[2] B Manfrey and P Fitzsimons are, by reason of their being Directors of Apax Partners & Co Ventures Limited, regarded as being interested in the 'A' shares of the Company held by the Apax UK VI Funds and the Future Publishing APIA LP investors. They do not hold any Ordinary shares of the Company directly.

The table above represents the following movements of shares:

On 22 March 1999, Future Publishing Holdings raised additional equity finance in connection with it acquiring the specialist computing publishing businesses of the Il Mio group of companies, by allotting in aggregate an additional 260,823 'A' shares. The Apax UK VI Funds subscribed an additional 159,653 'A' shares in such fundraising; accordingly the interests of B Manfrey and P Fitzsimons were notified as including those additional shares. C Anderson subscribed an additional 33,223 'A' shares.

On 11 June 1999 Future Publishing Holdings increased its share capital from £30,000 to £900,000 by the creation of an additional 68,000,000 'A' shares and 19,000,000 'B' shares and capitalised £657,549 of its share premium account in paying up in full at par 56,017,902 'A' shares and 9,737,012 'B' shares, which shares were issued to the existing shareholders of Future Publishing Holdings *pro rata* to their existing holdings in the company.

On the same date, under the terms of a Deed of Transfer, Novation and Termination, all of the shareholders disposed of their holdings of shares in Future Publishing Holdings to The Future Network Limited in exchange for the issue to them of an equal number of 'A' and 'B' shares of The Future Network Limited.

Directors' interests in the share capital of The Future Network plc On 14 June 1999 the shareholders of The Future Network Limited passed resolutions, conditionally upon Listing of the share capital of The Future Network Limited to which, inter alia to redesignate the 'A' and 'B' shares of The Future Network Limited as Ordinary shares of 1 pence each.

On 14 June 1999 The Future Network Limited re-registered as a public company under the name of The Future Network plc.

The table below shows the Directors' interests in issued Ordinary shares (excluding share options which are set out above) in The Future Network plc from the point of the share exchange which occurred on 11 June 1999 to 31 December 1999:

Name	Position following share exchange 'A' shares	Position following share exchange 'B' shares	Consolidation into single class of ordinary shares	Imagine consideration shares issued	Interest in The Future Network Trust[3]	Interest in Purchase Option Deed shares[4]	Acquisition/ (disposals) of shares on Listing	Disposal of shares on secondary offering	Balance holding as at 31 December 1999
Executive Directors									
C Anderson	7,022,536	948,848	7,971,384	27,503,454	140,903	3,564,796	(2,500,000)	–	36,680,537
G Ingham[1]	–	4,902,382	4,902,382	–	–	317,826	(600,937)	–	4,619,271
I Linkins	–	1,423,272	1,423,272	–	–	143,022	(284,654)	–	1,281,640
Non-executive Directors									
B Manfrey[2]	33,747,166	–	33,747,166	–	639,488	–	(4,605,571)	(12,568,321)	17,212,762
P Fitzsimons[2]	33,747,166	–	33,747,166	–	639,488	–	(4,605,571)	(12,568,321)	17,212,762
R Parry	–	–	–	–	–	–	40,000	–	40,000
B Clouston	–	–	–	–	–	–	120,000	–	120,000

[1] G Ingham's beneficial holding amounted to 3,227,627 Ordinary shares; in addition G Ingham was deemed to be interested in the 1,391,644 Ordinary shares held by his wife, Jane Ingham.

[2] B Manfrey and P Fitzsimons are, by reason of their being Directors of Apax Partners & Co Ventures Limited, regarded as being interested in the shares of the Company held by the Apax UK VI Funds and the Future Publishing APIA LP investors. They do not hold any Ordinary shares of the Company directly.

[3] The Future Network Trust was a discretionary trust established prior to the share exchange agreement, the class of beneficiaries of which comprised all of the shareholders and former shareholders of Future Publishing Holdings and persons entitled to subscribe, or formerly entitled to subscribe, shares in Future Publishing Holdings Limited. On the Listing of The Future Network plc the trustees of The Future Network Trust appointed the shares held by them to certain members of that class of beneficiary, including the Directors named above.

[4] In accordance with the provisions of the Companies Act 1985 (as amended), the shares subject to the Purchase Option Deed have been counted where they would increase the Director's holding, but have not been deducted where they would decrease the holdings of B Manfrey and P Fitzsimons. Accordingly the Directors' interests table above double counts the amount of the shares subject to the Purchase Option Deed to the extent that both Apax UK VI Funds, the Future Publishing APIA L.P. investors and the Executive Directors of the Company are deemed to be interested in the same holdings of shares. Further details of the Purchase Option Deed are set out in note 31 to the accounts.

Long term incentive scheme The annual bonus scheme provides that 50% of the bonus entitlement for each Director be deferred and paid at the end of the four year period to which the bonus plan relates. If a Director leaves the Company before the expiry of the four year period the deferred element of the bonus lapses. The amounts accruing, but not payable in the year, to each Director in respect of these deferred elements are as follows:

	Deferred element of annual performance-related bonus £'000
C Anderson	26
G Ingham	20
I Linkins	18

No amounts have crystallised during the year under the bonus plan.

Roger Parry Chairman of the Remuneration Committee

20 March 2000

Corporate Governance Report

The Directors of The Future Network plc subscribe, where appropriate having regard to the interests of the Company, to the Principles of Good Governance and Code of Best Practice encompassed in the Combined Code ('the Code') issued by the Committee on Corporate Governance in June 1998. The ways in which the Company applies and complies with the principles of the Code are described below, and in respect of remuneration, on pages 37 to 40. Since flotation, the Company has complied with the specific best practice provisions of Section 1 of the Code, with the exceptions of the following matters:

(i) The Code provision A.3.2 regarding a majority of non-executives being independent;

(ii) The Code provision A.6.1 regarding the appointment of non-executive Directors for specified terms; and

(iii) The Code provision B.2.2 which prescribes that the Remuneration Committee comprise only those Directors who are regarded by the Board as 'independent'.

Explanations of these areas of non-compliance are addressed below. Shareholders are welcome to convey any governance concerns to any of the Directors at any time.

The Board The Future Network plc was incorporated on 22 April 1999 and, following the Company's merger with Future Publishing Holdings Limited on 11 June 1999 under a share exchange agreement dated the same date, the Company became the ultimate holding company of the Group. Chris Anderson, Greg Ingham, Ian Linkins, Barbara Manfrey and Paul Fitzsimons were all appointed to the Board of the Company on 11 May 1999, and served throughout the remainder of the year. Roger Parry and Brendan Clouston were appointed to the Board on 4 June 1999 and served throughout the remainder of the year. The Board comprises three Executive Directors: Chris Anderson (Chairman), Greg Ingham (Chief Executive) and Ian Linkins (Finance Director); and four non-executive Directors: Brendan Clouston (senior independent Director), Paul Fitzsimons, Barbara Manfrey and Roger Parry.

Non-executive Directors
Paul Fitzsimons and Barbara Manfrey are Directors of Apax Partners & Co Ventures Limited, which entity is interested or deemed to be interested in the entire Company's shareholding of the Apax UK VI Funds and of the Future Publishing APIA L.P. investors. The Apax UK VI and the Future Publishing APIA investors represent substantial shareholders of the Company's shares and, by the definition employed in the Code, Paul Fitzsimons and Barbara Manfrey are therefore not regarded as 'independent'. The Code recommends that the majority of non-executives should be independent, and in this respect the Company does not therefore comply with provision A.3.2 of the Code.

The Company intends that a suitable independent third non-executive Director will be appointed as soon as practicable. It is the Board's opinion that the other non-executive Directors meet the definition.

The Board did not consider it appropriate to fix the terms of appointment of the non-executive Directors as it did not want the Company to incur potential liabilities to the non-executive Directors in the event that shareholders considered it appropriate to remove any one or more of the non-executive Directors prior to the end of any such term.

Executive Directors
As noted in the Remuneration Report on page 38, the notice period for all Executive Directors is one year. As each of the Directors of the Company were appointed during the year by the other members of the Board of the Company, and as such appointments have not been considered by shareholders since their appointment, each of the Directors has agreed to retire at the Company's Annual General Meeting and, being eligible, to stand for re-election. Going forward the Company shall comply with the Code by ensuring that no Director serves for longer than a three year term before retiring.

Board meetings
The Board meets formally at least four times during the year with other meetings being held when specific proposals are required to be considered. There is a formal schedule of matters specifically reserved for the Board's decision which includes approval of significant strategic and financial decisions, the annual budget, material acquisitions disposals and contracts, and connected party transactions. The Board is also responsible for reviewing the annual and interim results.

Other matters
All Board members have access to the advice and services of the Company Secretary and a procedure has been agreed by the Board for all Directors to take independent professional advice if necessary, and at the Company's expense, in the furtherance of their duties as Directors.

Committees Remuneration, Audit and Nomination Committees of the Board have been established with formally delegated duties and responsibilities. The Board sets the terms of reference for all Committees.

The Remuneration Committee, which comprises Barbara Manfrey, Roger Parry (Chairman of the Committee) and Brendan Clouston, determines independently the remuneration packages of the Executive Directors, including their performance-related awards under the Company's incentive schemes. Barbara Manfrey who, as a non-executive Director, although not independent, is regarded as being independent for the purposes for which the Committee is established and someone who is able to provide continuity in respect of the Group both prior to and since its Listing on the London Stock Exchange.

The Audit Committee comprises Paul Fitzsimons (Chairman of the Committee), Brendan Clouston and Roger Parry. The majority of the members of the Audit Committee are regarded as independent. The Audit Committee is scheduled to meet three times during the year. The Committee's terms of reference cover the points recommended by the Code. The Committee is responsible for reviewing the operation of proper internal controls, the proper measurement and reporting of the financial performance of the Group, reviewing financial statements before publication and making recommendations to the Board on the appointment of the external auditors, reviewing the scope and results of their work, their independence and objectivity, and the audit fee. The Finance Director and other financial management attend by invitation. The Group's auditors attend each meeting and the Audit Committee considers reports issued by them. The Group's auditors have direct access to the Committee without the presence of any Executive Director.

The Nomination Committee comprises Chris Anderson, Brendan Clouston (Chairman of the Committee), Barbara Manfrey and Roger Parry. The Committee has responsibility for making recommendations to the Board in relation to Board appointments and on succession issues.

Directors' responsibilities for the preparation of financial statements The Directors are required by law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial period and of the profit or loss of the Group for that period.

In preparing those accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors confirm that they have complied with the above requirements in preparing the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' responsibilities Auditors' responsibilities in relation to the financial statements are included in the Auditors' Report to the Members of The Future Network plc on page 43.

Going concern basis The Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Internal control The Turnbull Committee issued guidance in September 1999 on how companies should comply with the Code provision D.2.1 that requires Directors to undertake a review of their company's internal control system as a whole, including financial, operational and compliance controls and risk management. Full compliance with the requirements of paragraphs 12.43A (a) and (b) of the Listing Rules in relation to internal control disclosures is required for accounting periods ending on or after 23 December 2000. Transitional arrangements stated by the London Stock Exchange allow Directors to continue to report on their review of internal financial controls, provided that they comply with the existing 'Rutteman' guidance. The Directors have taken advantage of these arrangements, and confirm that in respect of the Group's internal financial controls they have complied with the existing guidance 'Internal Control and Financial Reporting – Guidance for directors of listed companies registered in the UK'. Therefore the report set out below is limited to reporting on the review of the internal financial controls of the Group. However, in respect of the application of the Code principle D.2, during 1999 the Group undertook a comprehensive review of all control mechanisms in place and formally examined the business risks faced by the Group in each of the markets and the territories in which it has operations. Following this review, the Group established the procedures necessary to implement the full Turnbull guidance ('Internal Control: Guidance for Directors on the Combined Code') for the forthcoming financial reporting year.

Report under Rutteman guidance

The Directors have overall responsibility for establishing financial reporting procedures to provide them with a reasonable basis to make proper judgments as to the financial position and prospects of the Group and have a responsibility for establishing the Group's system of internal financial control, and for monitoring its effectiveness. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Board has reviewed the effectiveness of the system of internal financial controls. The key features of the Group's financial reporting and internal financial control framework which have operated since flotation include:

(a) Approval of the annual budget and strategy for the Group and each subsidiary by the Board.

(b) Regular reports of actual results compared to budget, forecasts and prior period at the individual title or operational level which are submitted to the Board.

(c) Review and explanation of variances at subsidiary and Group levels, supplemented by quarterly forecasting for each subsidiary, which is incorporated into Group reforecasts.

(d) Monthly reviews of the operational results and planned actions by the Executive Directors with the Managing Directors, Finance Directors and other senior management of all subsidiary companies.

(e) Formal procedures for Board approval and authorisation of material acquisitions with clear guidelines on investment appraisal, disposals and contracts, and connected party transactions.

(f) A formalised approach determined at Board level to risk identification and assessment, and on which the internal controls of each subsidiary are based.

(g) Clear responsibilities for financial and other management for the maintenance of good financial controls.

(h) Periodic review of the measurement and assessment of the principle financial controls across all subsidiaries, based on self evaluation, and supplemented by independent review by Group members with specialist knowledge of those areas of risk identified.

(i) Group companies being required to maintain systems of internal control which are appropriate to the nature and scale of their activities and address all significant financial and operational risks that they face.

(j) Periodic review by the Audit Committee of the Group's systems and procedures, receipt of reports from internal controls review processes, and of reports from the external auditors.

Auditors' fees The Audit Committee has reviewed the remuneration received by PricewaterhouseCoopers for non-audit work. The fees for non-audit work largely comprise due diligence work on the acquisitions of Imagine and the business of the Il Mio Group, and fees in connection with the flotation of the Company in June 1999. The Audit Committee has concluded that no conflict of interest exists between PricewaterhouseCoopers audit and non-audit work and that their involvement was based on the most effective way of conducting the Group's business.

Approved by the Board of Directors on 20 March 2000

Ian Linkins Company Secretary

Auditors' Report to the Members of The Future Network plc

Financial statements We have audited the profit and loss account, cash flow statement and balance sheet, together with the supporting notes thereto for the year ended 31 December 1999 which are referred to as 'Actual' on pages 44 to 72 ('the financial statements').

Respective responsibilities of Directors and auditors The Directors are responsible for preparing the Annual Report. As described on page 42, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 41 and 42 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group for the period then ended 31 December 1999 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pro forma financial information We have reviewed, without performing an audit, the calculations and the basis of presentation of the pro forma profit and loss accounts and supporting notes thereto for the two years ended 31 December 1999 which are referred to as 'Pro forma' on pages 44 to 72 ('the pro forma financial information'). The pro forma financial information is the responsibility of, and has been approved by the Directors of The Future Network plc. The pro forma financial information has been prepared for illustrative purposes only, and is based on the source information referred to in the basis of preparation of the accounts on page 49.

Basis of opinion Our review, which was substantially less in scope than an audit, consisted primarily of comparing the pro forma financial information with the source information, of considering the evidence supporting the adjustments and of discussing the pro forma financial information with the management of The Future Network plc.

Review opinion On the basis of our review, in our opinion the pro forma financial information has been properly compiled on the basis stated on page 49.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Bristol

20 March 2000