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The Future Network plc Annual Report 2000



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Contents

02	Chairman's statement
04	Chief Executive's review
08	Future forward 2001

> 8&9 Building core brands
technology and the passion
that surrounds it

v12&13 Positioning for growth in games market
international licences for PlayStation and Xbox

^10&11 A sharper focus
reducing risk and managing
growth

Chief Executive's review of operations

14	United Kingdom
16	United States
18	Europe
20	Internet
21	Current trading and prospects

Accounts

22	The Directors
24	Finance Director's report
27	Directors' report
29	Remuneration report
33	Corporate governance report
36	Independent auditors' report
37	Group profit and loss account
38	Group activity analysis
39	Statement of total recognised gains and losses
39	Reconciliation of movements in group shareholders' funds
40	Balance sheets
41	Group cash flow statement
42	Basis of preparation of accounts
44	Notes to the financial statements
67	Shareholder information
67	Annual timetable
67	Advisers

To help the understanding of our
business the following definitions have
been used throughout this report:

ABC: Audit Bureau of Circulations
Adjusted earnings per share: Earnings
per share based on adjusted profit
after tax.

Adjusted operating profit or EBITA:
Operating profit excluding amortisation
and impairment
of intangible assets.

Adjusted profit before tax: Profit before
tax excluding amortisation
and impairment of intangible assets.

Adjusted profit after tax: Profit
after tax excluding amortisation
and impairment of intangible assets.

CPAR: Consumer Publishing and

Pro forma results: Used for
comparatives. Results as if the
business as constituted at Listing,
with its associated post flotation
funding arrangements, had existed
from the beginning of the year.
Underlying Revenues: Revenue
excluding revenue from loss making
titles launched in the last two years
and revenues from Internet activity
(both referred to as Investments).

Underlying Profit: Operating profit
excluding losses from titles launched
in the last two years and losses on
Internet activity (both referred to as
Investments).

Investment: Losses from titles
launched in the last two years and

French accounting irregularity

In October 2000 the Group reported that an accounting irregularity had been identified at its French operating company. This problem was identified initially by local management, and was promptly investigated by Group finance staff and by Deloitte & Touche.

The problem was confirmed to relate to the accounting entries recording newsstand sales in France. It had originated in 1998, and resulted in an overstatement of reported sales and debtors in 1998, 1999 and the first half of 2000. The investigation that was carried out revealed no other material errors in the accounting for the French business, and no other similar practices of newsstand accounting in any other subsidiary. Errors arising in 1998 and 1999 have been corrected by restatement of the prior year in this report as follows:

	Total restatement £'m	1999 restatement £'m	1998 restatement £'m
Turnover	(3.3)	(1.0)	(2.3)
EBITA	(3.3)	(1.0)	(2.3)
Tax	1.3	0.4	0.9
Loss on ordinary activities after tax	(2.0)	(0.6)	(1.4)

Goodwill

As the Group has been brought together by acquisition, the balance sheet contains goodwill amounting to £253.8m. 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 have been estimated to have a life of 20 years and those which were not profitable at the time of acquisition, such as Imagine Media, or requiring investment to have a long-term future, such as those acquired in Germany, have an estimated life of 10 years.

In accordance with FRS11, the Board has carried out an impairment review on the carrying value of goodwill in the balance sheet. On review of the performance of the assets acquired in Germany in 1999, it has been decided to write down their value by £6.2m to zero as at December 2000. Additionally, in view of the lower base profitability now seen in the French business, a write down of £12.4m, representing just under half its previous holding value of £26.7m has been made.

Fixed asset investments

At the time of its acquisition by the Group, Imagine Media Inc, the Group's US subsidiary held shares in Snowball.com (which has subsequently obtained a NASDAQ listing). In the light of an uncertain future for internet businesses, we have decided to write this investment down to zero.

During the early part of the year we also made other minority investments in internet businesses, primarily in the US, which were accounted for at cost of £4.2m. We have decided to fully write down several of these investments at a cost of £2.5m.

Acquisitions

The three main acquisitions in the year were:

- the acquisition by Future Publishing Limited of the trade and assets relating to titles from Dennis Publishing Limited in January;
- the acquisition of Silver Shark Sp z.o.o. in Poland in July;
- the acquisition of a 49% stake in a US conference business, TED Conferences LLC in July.

Taxation

The Group has generated taxable profits in the UK and Italy. Taxable losses arose in the other overseas businesses during the year.

The 31 December 1999 tax charge has been adjusted for the estimated tax credit from the French profit overstatement of £0.4m.

Earnings per share

The basic loss per share has declined from (2.09p) in 1999 to (42.68p) in 2000 as a result of the factors that have been discussed earlier in this report.

Dividend

No dividend is proposed.

Profitability

	2000 £'m	1999 £'m	Underlying growth %	2000 £'m	Investment 1999 £'m	2000 £'m	1999 £'m	Total EBITA growth %
Print								
UK	17.6	21.2	(17)	(4.8)	(1.8)	12.8	19.4	(34)
US	19.6	7.2	172	(12.1)	(3.3)	7.5	3.9	92
France	(1.3)	2.1	(162)	(3.3)	(1.3)	(4.6)	0.8	(675)
Italy	2.5	4.0	(38)	(1.7)	(0.2)	0.8	3.8	(79)
Germany	(2.5)	(1.4)	(79)	(3.1)	(0.7)	(5.6)	(2.1)	(167)
Poland	0.3	-	-	(0.3)	-	-	-	-
Print operating profit	36.2	33.1	9	(25.3)	(7.3)	10.9	25.8	(58)
Internet	-	-	-	(10.4)	(3.6)	(10.4)	(3.6)	(189)
Central costs	(3.0)	(2.0)	(50)	-	-	(3.0)	(2.0)	(50)
Total	33.2	31.1	7	(35.7)	(10.9)	(2.5)	20.2	(112)

Analysis of Underlying margins

	2000	1999
UK	18%	23%
US	23%	15%
France	(8%)	12%
Italy	20%	25%
Germany	(49%)	(35%)
Poland	14%	-
Total	15%	17%

Our computer games magazines have generated lower margins in the Underlying category in 2000 than in 1999 as the down cycle of the hardware market has affected both newsstand and advertising demand. Crucially the proportion of sale or return newsstand copies distributed to the newstrade which are actually sold has declined. This has been the major reason why Underlying Profits growth has been lower than expected, and also why margins have declined in our European businesses.

This is reflected in the increase in cost of sales by 45% while revenue has grown by 29%. Margin decline has been significantly offset in the US by the profit from Business 2.0.

The administrative expenses category of our profit and loss statement has increased by £35m year on year, an increase of 63%. This is primarily due to the increase in the charge for amortisation and impairment of goodwill of £47m (1999: £16.8m).

Cash

In the year ended 31 December 2000 our net debt position has increased from £26.9m to £69.0m. The major part of this growth was connected with the expansion of the business, through acquisition and capital expenditure. The detail is given in the cash flow statement, and can be summarised as follows:

	£m
Operating cash outflows including interest and tax	(6.5)
Capital expenditure and financial investment	(6.5)
Acquisitions	(29.8)
Other cash flows	0.7
Increase in net debt	42.1

Hedging

In order to protect the Group from unexpected interest rate fluctuations, £44m of the floating Sterling term debt is the subject of swap contracts effectively fixing the interest rate at 5.97%. The Group does not trade in such instruments independent 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.

Financing

Towards the end of 2000 the increased debt position as discussed above, and the poor fourth quarter trading caused the Company to enter into negotiations with its principal bankers to restate its existing facility. Since the year end a new agreement has been signed which is designed to accommodate the debt requirements of the Group given the revised profitability and growth projections for 2001 and 2002.

The restated facility is a £100m multicurrency revolving facility consisting of a number of tranches which

are all repayable on 30 September 2002. Under the terms of the restated facility the existing bank borrowings bear interest at rates fixed in advance for periods between one and three months by reference to LIBOR and EURIBOR plus a margin of 3.15%. New borrowings will bear interest at rates fixed in advance for periods between one and three months by reference to LIBOR and EURIBOR plus a margin of between 3.15% and 6%.

Restructuring

On 16 February 2001 the Group announced plans for a restructuring of its business designed to streamline the Group's portfolio, reduce operating costs, pay down debt and enhance profitability. Costs of this restructuring are expected to be approximately £5m in 2001.

As a result of restructuring, magazines and websites responsible for nearly £18m of turnover and £14.7m of operating losses have been closed, although they will have continued in publication for part of 2001. A number of the titles closed were expected to incur continuing losses in 2001, and their closure will reduce investment and uncertainty levels in 2001.

Finance Director's report

As figures relating to 1999 are pro forma restated figures.

During 2000 the Group significantly increased its investment, in the knowledge that this would reduce headline profits. We had expected this peak level of investment to be supported by a growing profit stream from the Group's core business. But the outcome was affected by weaker than expected trading, especially in the final quarter, which has produced a disappointing result.

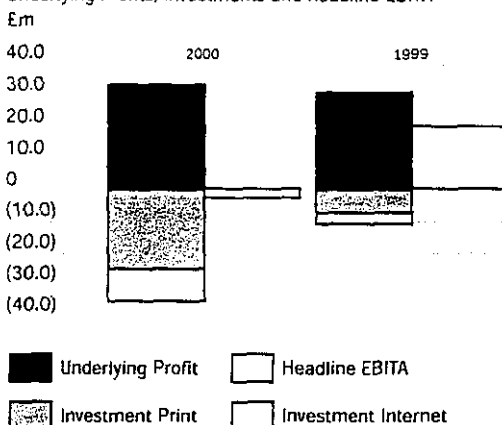
Underlying revenue and profitability

The Group draws a distinction between 'Investment', ie the losses incurred on developing products, and 'Underlying Profit', ie the profits (and in some cases losses) from longer established products. The definition has been applied on a consistent basis with previous reports. 'Investment' comprises losses, at the operating profit level on magazine properties less than two years from their launch dates, and on Internet properties. Thus if magazines are continuing to generate losses after two years, or if they go into profit ahead of that deadline, their results are classified as Underlying.

All launch and promotion costs are expensed as incurred and we regard two years as being a relatively demanding standard cut-off point for magazines to be turned into profitable properties in our markets, although some can achieve profitability in a significantly shorter timeframe. Investment as defined here does not include spending on our Underlying titles, even though there will of course be ongoing spend where necessary. The cut off is applied at the end of the period. So in respect of 2000 results Investment will comprise magazines reporting a 2000 loss at the operating profit level launched after January 1999, and Internet properties. The Investment figure of £35.7m is made up of £5.1m of losses incurred

on magazine launches in 1999, £19.7m for 2000 launches and £10.4m from Internet activities.

Underlying Profits, Investments and headline EBITA



Our print business has grown its Underlying Profit by 6.8% to £33.2m. While there has been a decline in games magazine profits this has been offset by growth in other areas, primarily *Business 2.0* in the US. Our Investment was above that planned, as revenue growth in areas such as PlayStation 2 titles was lower than expected, and is more than triple the 1999 level.

Revenue

In order to allow comparative margin analysis between Underlying and Investment portfolios, we have analysed revenues between these categories as follows:

	2000 £'m	1999 £'m	Underlying growth %	2000 £'m	1999 £'m	Investment growth %	2000 £'m	1999 £'m	Total growth %
Print									
UK	98.5	93.6	5	10.6	6.2	71	109.1	99.8	9
US	87.1	48.2	81	6.8	6.0	13	93.9	54.2	73
France	17.2	17.4	(1)	2.8	3.6	(22)	20.0	21.0	(5)
Italy	12.3	15.8	(22)	2.7	0.8	238	15.0	16.6	(10)
Germany	5.1	4.0	28	1.9	0.2	850	7.0	4.2	67
Poland	2.1	-	-	0.4	-	-	2.5	-	-
Total print	222.3	179.0	24	25.2	16.8	50	247.5	195.8	26
Internet	-	-	-	6.5	1.7	282	6.5	1.7	282
Total	222.3	179.0	24	31.7	18.5	71	254.0	197.5	29

Our Underlying Revenues have grown by £43.4m (24%) in 2000, despite this category containing many games products which have experienced weaker than expected markets. Our Italian business – proportionately the most dependent on games titles was affected the most. An area of significant growth was the US, particularly as *Business 2.0* increased its revenues, in part by publishing twice monthly from May 2000.

£31.7m of our revenue, 12% of the total, was from products classified as in an Investment category, in many cases representing part year revenues of products launched in 2000. The largest contribution was in the UK from products such as *Business 2.0*, and also launches connected with Sony PlayStation 2. Internet revenues

grew from a small base by 282%, as products such as *dailyradar.com* were grown in the US and rolled out internationally. Year on year comparisons are less valid in the Investment category as products will have part year figures for their year of launch.

Advertising revenues have grown from £66.0m (34% of revenues in 1999) to £111.0m (44% of revenues in 2000). This is primarily a consequence of the relative growth of our US business where advertising is a more important component in the mix. However our UK business has also achieved strong growth in advertising, of £9.3m, (29% of total revenue), up from £22.6m, (22% of revenue in 1999).

Ian Linkins

Brendan Clouston

Colin Morrison

Greg Ingham

Chris Anderson

7 Michael Penington (age 42)
non-executive
Michael Penington joins Future as a non-executive director after 16 years at US investment bank Morgan Stanley Dean Witter, most recently as an Executive Director Corporate Finance Department. His experience at Morgan Stanley Dean Witter included transactions in several European countries including coverage of venture capital markets. Currently a consultant he holds a D.Phil. from Oxford University. He was appointed Director of the Company on 19 April 2000.

8 Elisabeth Murdoch (age 33)
non-executive*
Elisabeth Murdoch commenced her career at the Nine Network in Australia. In 1993 she joined the Fox Television Studios in Los Angeles where she was appointed Manager of Programming and Promotions. Later that year she became Programme Director of KSTU. Soon afterwards Elisabeth became Director of Programme Acquisitions

at FX Cable Networks in Los Angeles. In April 1995 Elisabeth formed EP Communications where she owned and managed two dominant NBC affiliate television stations in Northern California. Elisabeth joined BSkyB in 1996 and was appointed Managing Director Sky Networks (BSkyB Plc) in August 1998. She left BSkyB in June 2000 to set up her own company and was appointed Director of the Company on 11 September 2000.

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

The 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 40) Chief Executive

Greg Ingham began his publishing career as a journalist at Reed International plc in 1983. Having edited a trade paper for four years 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, and led Future through its IPO in June 1999.

3 Colin Morrison (age 49) Deputy Chief Executive

Colin Morrison started his media career as a journalist on newspapers and magazines in London, New York and Dublin. He spent 11 years managing a range of Reed International operations before being appointed as Deputy CEO of Reed Business Information. Following that Colin spent four years as CEO of Emap Business Communications Division and then four years as Chief Executive of Sydney-based Australian Consolidated Press. Prior to joining Future in January 2001 Colin was Chief Executive of the international operations of German media group Axel Springer. Colin joined Future as Deputy Chief Executive on 5 January 2001.

4 Ian Linkins (age 47) Finance Director

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 of Future Publishing Holdings Limited in April 1998 following the management buy-out from Pearson. He was appointed Director of the Company on 11 May 1999.

5 Brendan Clouston (age 47) non-executive*+†

Brendan Clouston 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 currently manages private investments. He was appointed Director of the Company on 4 June 1999.

6 Roger Parry (age 47) non-executive*+†

Roger Parry runs the International Division of Clear Channel Communications, the world's leading out-of-home media company. It is the largest operator in three industries: radio, outdoor advertising and live events with annual sales of US\$8bn. Roger was formerly Chief Executive of the outdoor advertising company More Group plc which was acquired by Clear Channel in June 1998. Previously he was one of the management team which successfully restructured the media buying group Aegis plc. He was a founder of London Radio plc. He spent three years with McKinsey, the international consulting firm, and before that was a journalist with BBC TV and radio. He is also Chairman of Johnston Press plc and a non-executive director of iTouch plc, Jazz fm plc and New Media SPARK plc. He is also a trustee of the Shakespeare's Globe Theatre. He was appointed Director of the Company on 4 June 1999.

Michael Penington

Elisabeth Murdoch

Roger Parry

Chief Executive's review of operations Current trading and prospects

We expect the Group to record a substantial loss in the first half of 2001. This will include losses totalling approximately £3m from the magazines and websites that have been closed during January and February 2001; and restructuring costs of the closures and redundancies, which will be in the region of £5m.

It has indeed been a bruising period but the management team believes that the business is being rebased on a more conservative footing, with less being risked on launches, and more growth opportunities emerging in the recovering games market. Current performance reflects continuing tough market conditions and is in line with our internal forecasts.

Greg Ingham
Chief Executive

19 March 2001

Chief Executive's review of operations Internet

Internet

Despite the general change in sentiment towards the online sector during the year, our Internet activities continued to make good progress in 2000. Revenues increased 282% to £6.5m and monthly unique visitor numbers increased to 7.3 million in December, up 58% on the 4.6 million reported in March last year and 12% up on the number announced in September. Monthly page views were 123 million.

>The games news and reviews site *dailyradar.com* receives on average 1.4 million visitors per month.

Investment in online activities totalled some £10m during the year, including the UK launch of Future's most successful games site, *dailyradar.com*. In 2001, we will reduce Internet investment by more than 50%, including the closure of four magazine-related sites in the UK and our German computer games site.

We consider that we have an appropriate long-term strategy for low-cost online development.

Internet

	USA	Europe	2000	1999	% change
Revenues	5.1	1.4	6.5	1.7	282%
Operating (Loss)	(6.8)	(3.6)	(10.4)	(3.6)	(188.9)%

All results included in the review exclude amortisation and impairment of intangible assets. All 1999 numbers are restated pro forma numbers.

>Future's UK Internet portal FutureNet recorded an average monthly 2 million unique visitors over the last six months of 2000.

>Subscriptions generated for Future's magazines via our websites reached over 1.5 million by 2000.

> *Jeux Video Magazine*, launched in July is the first magazine in France to target all consumers of video games – whatever their personal profile. Its success builds on Future France's 23% share of the French video games magazine market.

• *CD Action*, the market-leading title from *Future Network Poland*, formerly *Silver Shark*, acquired by Future in July.

Mainland Europe accounted for 17.5% of group revenues in 2000. We now publish 35 magazines and employ over 400 staff. The Polish business was acquired in July 2000, and it publishes the country's leading computer games magazine, *CD Action*.

France
2000 was planned to be a year of accelerated growth for our French operations and a number of new launches were planned for the year, including *Jeux Video*. These growth plans were hit, however, by the discovery of the accounting irregularity in the business.

We responded vigorously to the problems, strengthening financial controls and installing a new Finance Director in France. We have also closed five games and music titles and reduced overhead costs.

Italy
Our Italian business has the greatest exposure to the computer games sector and so was significantly affected by the delayed transition from PlayStation 1 to PlayStation 2. This is reflected in a decline in revenues from £16.6m to £15.0m and Underlying Profitability from £4.0m to £2.5m.

The highlight of the year was the launch of *Business 2.0*, which exceeded our early expectations. We also secured the licence to publish the *Official PlayStation 2 Magazine*. This licence builds on our existing relationship with Sony, and positions the business strongly for the next generation consoles.

Germany
We have not made the progress that we had intended to in 2000. Revenues increased by 66.7% to £7.0m, however increased investment costs together with the effects of the more difficult computer games market, have contributed to increased losses.

Our investment in new magazine launches to expand the portfolio beyond the computer games market amounted to £3.8m.

< Official title *Ufficiale PS2 Magazine* and the unofficial *PSX2* have established a 64% market share of the new PlayStation 2 magazine market for Future's Italian arm, Future Media Italy.

Mainland Europe

	2000	1999	% change
Underlying Revenues	36.7	37.2	(1.3)%
Investment Revenues	7.8	4.6	69.6%
Total Revenues	44.5	41.8	6.5%
Underlying (Loss)/Profit	(1.1)	4.7	(123)%
Investment	(9.4)	(2.4)	292%
Operating (Loss)/Profit	(10.5)	2.3	(557)%

Our mainland European activities now include operations in France, Germany, Italy and Poland. All results included in the review exclude amortisation and impairment of intangible assets. All 1999 numbers are restated pro forma numbers.

France

	2000	1999	% change
Underlying Revenues	17.2	17.4	1.1%
Investment Revenues	2.8	3.6	(22)%
Total Revenues	20.0	21.0	(4.8)%
Underlying (Loss)/Profit	(1.3)	2.1	(162)%
Investment	(3.3)	(1.3)	154%
Operating (Loss)/Profit	(4.6)	0.8	(675)%

All results included in the review exclude amortisation and impairment of intangible assets. All 1999 numbers are restated pro forma numbers.

Italy

	2000	1999	% change
Underlying Revenues	12.3	15.8	(22.2)%
Investment Revenues	2.7	0.8	238%
Total Revenues	15.0	16.6	(9.6)%
Underlying Profit	2.5	4.0	(37.5)%
Investment	(2.0)	(0.3)	566.6%
Operating Profit	0.5	3.7	(86.5)%

All results included in the review exclude amortisation and impairment of intangible assets. All 1999 numbers are restated pro forma numbers.

Germany

	2000	1999	% change
Underlying Revenues	5.1	4.0	(27.5)%
Investment Revenues	1.9	0.2	850%
Total Revenues	7.0	4.2	66.7%
Underlying (Loss)	(2.6)	(1.4)	(85.7)%
Investment	(3.8)	(0.7)	443%
Operating (Loss)	(6.4)	(2.1)	(204.8)%

All results included in the review exclude amortisation and impairment of intangible assets. All 1999 numbers are restated pro forma numbers.

Chief Executive's review of operations France, Germany, Italy and Poland

<<Didier Macia
Managing Director
Future France

<Stefan Moosleitner
Managing Director
Future Verlag

>Claudio Cuna
Acting Managing Director
Future Media Italy

>>Witold Zagrodny
Managing Director
Future Network Poland

"2000 was a year of highly ambitious launch activity"

The US operations performed very strongly during 2000, with Underlying Revenues up 80.7% and Underlying Profitability up 172%. The success was particularly driven by *Business 2.0*. Investment increased from £5.9m to £18.9m, and accounted for £6.8m of additional print revenues.

2000 was also a year of highly ambitious launch activity as we sought to expand the portfolio and to introduce successful UK titles, including *T3* and *Total Movie*. The impact of the slowdown in advertising and newsstand sales in the fourth quarter led to a review of investment activity. As a result, six titles were closed in February 2001, most of which had been launched during 2000. Titles closed include *Revolution*, *T3*, *Total Movie* and the 1999 launch, *Official Dreamcast*. The six titles accounted for revenues of £10.5m in 2000. Future's 2001 launch activity will centre on the launch of its *Official Microsoft Xbox Magazine* in the autumn.

We are reviewing strategic options for the next stage in the development of *Business 2.0*.

In July we made a strategic investment in TED Conferences LLC, one of the most successful and innovative conferences in the US, focused on Technology, Entertainment and Design. We acquired a 49% stake in this profitable business for \$8m.

^*Business 2.0* continued to grow reaching a guaranteed US circulation of 350,000.

^The strategic partnership with TED Conferences, which stands for technology, entertainment and design, fits well with many of Future's brands.

^Jonathan Simpson-Bint
President
Imagine Media

^Michela O'Connor Abrams
President
Business Division

United States

	Magazines	Internet	2000	1999	% change
Underlying Revenues	87.1	-	87.1	48.2	80.7%
Investment Revenues	6.8	5.1	11.9	7.3	63.0%
Total Revenues	93.9	5.1	99.0	55.5	78.4%
Underlying Profit	19.6	-	19.6	7.2	172%
Investment	(12.1)	(6.8)	(18.9)	(5.9)	220.3%
Operating Profit/(Loss)	7.5	(6.8)	0.7	1.3	(46.2)%

All results included in the review exclude amortisation and impairment of intangible assets. All 1999 numbers are restated pro forma numbers.

Our five-year licence to publish *Official Microsoft Xbox Magazine* worldwide (except Japan) was secured in competition with some of the world's leading publishing groups and was a significant international development for Future. This marked the first time that any company had been awarded a global licence of this scale, powerfully illustrating the benefit of our international games market strategy.

<Two well-established computing titles, *Maximum PC* and *MacAddict*, have both been published by Future for five years. In a tough advertising market in 2000, *MacAddict* was one of only two consumer magazines to post an increase in advertising pages - up 7.4%. Source: CPAR.

Chief Executive's review of operations United States

^In October, our US business won the exclusive national and international rights to publish the official magazine for Microsoft's Xbox. The magazine is scheduled for launch in late 2001.

^Official PlayStation 2 Magazine recorded a circulation of 81,883 after just three months, making it market leader of the PlayStation 2 sector.
Source: ABC

^The first Future Internet Awards, held in September, were sponsored by Intel and attracted high-profile nominations from easyEverything to Channel 4's Big Brother programme.

Chief Executive's review of operations United Kingdom

"Revenues from the UK operations continued to grow in 2000"

<Mike Frey
Managing Director,
Future Publishing

"We increased our overall games market share to 57%"

Revenues from the UK operations continued to grow in 2000, despite the transition in the games sector. New launches accounted for the majority of this increase. But circulation growth was also achieved from a number of existing titles, in particular *T3* (up 8.6%) and *Total Film* (up 7%). Advertising revenues grew by 41% to £31.9m.

Our investment in new magazines, including the UK edition of *Business 2.0*, amounted to £5m. There was also significant investment ahead of the launch of PlayStation 2 in November, where we introduced two new titles, including *Official PlayStation 2 Magazine*. These titles have helped to increase our PlayStation market share to a record 67%. However, the much publicised problems with the delayed PlayStation 2 launch and its impact on the computer games sector as a whole, particularly over the key Christmas period, resulted in lower than expected profits for the UK business.

Despite this, we increased our overall games market share to 57%, and are well positioned for the expected growth in 2001-2002.

Our three-year licence to publish *Official PlayStation 2 Magazine*, was won against stiff UK and international competition and is an important part of our strategy for the next generation of games consoles. Relative to the installed base, early copy sales are encouraging. Longer term, with the planned launch of Microsoft's Xbox in early 2002 and our official magazine, we are confident that there are attractive opportunities in this sector.

As a result of the strategic review in the UK announced in February 2001, we closed six small loss-making titles, four magazine websites and also reduced overheads.

^Total Film registered its seventh successive increase in the competitive film market, recording a 7% rise in circulation to 77,291.
Source: ABC

United Kingdom

	Magazines	Internet	2000	1999	% change
Underlying Revenues	98.5	-	98.5	93.6	5.2%
Investment Revenues	10.6	1.3	11.9	6.6	80.3%
Total Revenues	109.1	1.3	110.4	100.2	10.2%
Underlying Profit	17.6	-	17.6	21.2	(17.0)%
Investment	(4.8)	(2.5)	(7.3)	(2.7)	170.4%
Operating Profit/(Loss)	12.8	(2.5)	10.3	18.5	(44.3)%

All results included in the review exclude amortisation and impairment of intangible assets. All 1999 numbers are restated pro forma numbers.

<>In 2000, *T3 Tomorrow's Technology Today* recorded a year-on-year rise of 8.6% to gain a market share of 48% of the technology magazine market.
Source: ABC

Future is the leading publisher of leisure computing and games magazines in the UK and France and is the leading publisher of PC games magazines in Italy and Poland making it well positioned for growth in this sector.

In the UK, based on the latest ABC circulation audit, 57% of all the computer and video games magazines sold in the UK come from Future and despite tough market conditions Future's UK PlayStation portfolio gained market share - up from 60% to 67% of the total PlayStation market.

It's still early days for PlayStation2. However over its first three issues, *Official PlayStation2 Magazine* recorded UK sales equating to 37% of the UK PS2 installed base. This is almost 20 percentage points higher than the original *Official UK PlayStation Magazine* achieved in the UK in its first full six month audit against the PlayStation 1 (PS1)

installed base in June 1996.* Similarly in Italy, the official title *Ufficiale PS2 Magazine* and *PSX2* have established a 64% share of the new PlayStation magazine market.

In Poland, *CD Action* is now not only the market leader in the gaming sector but is also referred to as one of the most popular magazines in Poland in general. And in France, with 23% of the video games magazine market, the Company is also positioned to maximise the potential from the games market as and when new formats gain momentum.

Our US leading games titles include *PC Gamer*, one of the world's largest circulation computer gaming magazines, *PSM*, the top selling independent PlayStation magazine, which has frequently outsold its official counterpart in the US since its 1997 launch, and *Next Gen*, the all-platform magazine that focuses on the latest games technology.

* PS1: Circulation Jan-Jun 96 (UK only) = 43,539
Installed base, June 96 = 240,375
PS2: Circulation Jul-Dec 00 (UK only) = 71,049
Installed base, Dec 00 = 190,290
Sources: ABC, Chart Track

>Key Magazine Titles
>*Official UK PlayStation Magazine* - 1 & 2
>*Ufficiale PlayStation Magazine* - 1 & 2
>*PC Gamer*
>*PC Format*
>*Edge*
>*N64*
>*Giochi per il Mio Computer*

>*PSM*
>*PSM2*
>*Jeux Video Magazine*
>*CD Action*
>*Consoles Max*
>*Next Gen*

Market leading position for growth in games market

The Future Network is all about great teams creating great content for great magazines. Our specialist content for passionate audiences is, like our people, versatile. It can be transferred internationally and digitally.

In its short life as a listed company, Future has expanded fast. Today, we have wholly-owned businesses in the UK, US, France, Germany, Italy and Poland. We have licensed editions in a further 30 countries.

That's a lot of growth in a short time. And the year 2000 was a big reminder of a few things: the periodic 'gap year' in an otherwise fast-growing international market for video games; the volatility of the dotcom/tech revolution; and the fact that some launches do fail. This was the year when those factors combined to blow us off course.

Our response has been to focus on the strong, solid growth in our core business, strengthen our management team, and reduce investment during a tougher time.

The result will be more of Future at its best: Learning the lessons of the year, making the necessary changes (however painful) and moving the business forward on a retuned strategy. It's all about a sharper focus for a business that retains all its potential for excitement and expansion. Like our talented, youthful teams, we're that bit older and wiser. But we've lost none of our edge.

focus

a sharper

>Everything
starts with
our readers...

Title: Maximum PC
Country: US
Monthly copies sold: 322,772
Target audience: True PC fanatics who want to get the most out of their computer both at work and at home.
Licences: Nil

Title: T3
Countries: UK, Italy
Monthly copies sold: 50,059 (UK)
Target audience: Technology fans with a high disposable income keen to buy and keep up with new technology.
Licensed in: Eight other countries

Title: Windows News
Country: France
Monthly copies sold: 79,983
Target audience: Experienced Windows users looking for reviews and news on the latest Microsoft software and hardware.
Licences: Nil

Title: Total Guitar
Country: UK
Monthly copies sold: 30,192
Target audience: Amateur musicians and experienced guitar players keen for news and reviews.
Licensed in: One other country

Title: Official PlayStation Magazine
Countries: UK, Italy
Monthly copies sold: 215,508 (UK)
Target audience: Dedicated PlayStation users who are looking for the first previews, reviews and inside stories.
Licensed in: 14 other countries

Title: MacFormat
Country: UK
Monthly copies sold: 25,123
Target audience: Regular Mac users at work and at home looking for tips and latest product news.
Licences: Nil

Title: PC Format
Countries: UK, Poland
Monthly copies sold: 80,121 (UK)
Target audience: PC users interested in gaming hardware and news, but also multimedia, DVD and accessory reviews.
Licensed in: Six other countries

Title: CD Action
Country: Poland
Monthly copies sold: 150,000
Target audience: Dedicated PC gamers who are looking for the latest news, reviews and demos.
Licences: Nil

Title: Edge
Country: UK
Monthly copies sold: 28,376
Target audience: Experienced and early adopters of console technology. Where Edge readers lead, the mass market follows.
Licences: Nil

Title: PC Plus
Country: UK
Monthly copies sold: 95,606
Target audience: Intermediate, professional or expert PC users looking for buying advice, demos, news and analysis.
Licensed in: Six other countries

and the
technologies
which drive
their
passion

Title: Il Mio Computer
Country: Italy
Monthly copies sold: 55,000
Target audience: New computer users or those considering buying a computer looking for advice, demos and ideas.
Licences: Nil

Title: Total Film
Country: UK
Monthly copies sold: 77,291
Target audience: Film addicts who spend more than six hours watching films every week and seek the latest film reviews.
Licensed in: One other country

Title: Mountain Biking UK
Country: UK
Monthly copies sold: 57,663
Target audience: New and experienced mountain bikers up to date with competitions, the latest equipment and accessories.
Licences: Nil

futureforward 2001

"positive about what has been achieved in the past two years"

Title: .net
Countries: UK, France, Italy, Poland
Monthly copies sold: 50,588 (UK)
Target audience: Regular surfers and online shoppers, consumers and professionals seeking an insider's view of the Internet.
Licensed in: Four other countries

Title: Future Music
Country: UK
Monthly copies sold: 18,653
Target audience: Creative fans of music technology and cutting-edge electronic music looking for the latest news.
Licensed in: Two other countries

Title: PC Gamer
Countries: US, UK, France, Germany, Italy
Monthly copies sold: 357,718 (US)
Target audience: New and experienced PC gamers looking for demos, add-ons and honest, tough games reviews.
Licensed in: Eight other countries

Title: Computer Arts
Countries: UK, France, Italy
Monthly copies sold: 34,075 (UK)
Target audience: Web designers and graphic artists working in the computer hardware and software business.
Licensed in: Six other countries

buildingcorebrands

>Future's Top 25

Top 25 identified by revenue, circulation, profitability and strategic importance

Title: Computer Magazine
Country: Italy
Monthly copies sold: 74,000
Target audience: The most demanding computer fans whose work, leisure and everyday life revolve around computers.
Licences: Nil

Title: Computer Music
Country: UK
Monthly copies sold: 24,658
Target audience: Those with a passion for making computer music, keen for reviews on new hardware and software.
Licensed in: One other country

Title: Business 2.0
Countries: US, UK, Italy, Germany
Fortnightly, guaranteed rate base 2001: 350,000 (US)
Target audience: Key business players, hungry for the latest information on the new economy.
Licensed in: Four other countries

Title: Internet Works
Countries: UK, France
Monthly copies sold: 27,385 (UK)
Target audience: Managers and directors involved in their company's website and looking to e-commerce.
Licensed in: Two other countries

Title: Mac Addict
Country: US
Monthly copies sold: 196,136
Target audience: Total Mac addicts who can't get enough of the latest industry, hardware and software news and demos.
Licences: Nil

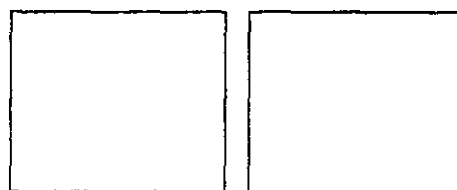
Title: Official PlayStation 2 Magazine
Countries: UK, Italy
Monthly copies sold: 81,883 (UK)
Target audience: Early adopters of PlayStation 2 interested in gaming, DVD movies and related media.
Licensed in: One other country

Title: Manchester United
Country: UK
Monthly copies sold: 68,043
Target audience: Passionate Manchester United football fans who regularly play and watch football.
Licensed in: One other country

Title: PSM
Countries: US, Italy
Monthly copies sold: 250,579 (US)
Target audience: Totally dedicated Sony PlayStation gamers looking for humorous, unbiased and credible coverage.
Licensed in: One other country

Apart from the restructuring what other actions have you taken?

We have also taken steps to strengthen the management of the business, with the appointment of Colin Morrison as Chief Operating Officer. He is primarily responsible for our UK and European businesses and for international licensing. We also strengthened the Board with the appointments of Michael Penington and Elisabeth Murdoch during the year and have announced the appointment of Roger Parry as Deputy Chairman. Following Ian Linkins' decision to step down from the Board in April, we have also announced the appointment of Michael Penington as Interim Finance Director. I am very grateful to the Board for their support and guidance during these difficult months and would also take this opportunity to record the Board's and my own appreciation of the contribution made by Ian to The Future Network plc – before and since flotation.



What about *Business 2.0*?

In February 2001 we announced our plans to investigate a range of strategic options for *Business 2.0*. Our new economy title has had extraordinary success since its launch in 1998, rising to twice monthly US circulation of 350,000. We are extremely proud of what we have achieved with *Business 2.0*, which has rapidly grown from a small launch to a mainstream business title. We believe it is appropriate now to be examining all options for the next stage in this magazine's development.

How confident are you about the future?

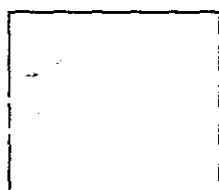
Despite the difficulties of the second half of the year, we remain positive about what has been achieved overall in the past two years, and are determined to regain our strategic momentum. We have market leadership in many attractive sectors and highly profitable magazines on which to build. We are the world leader in computer games magazines and are well positioned to capitalise on the continued roll-out of Sony's PlayStation 2 and the worldwide launch of Microsoft's Xbox later this year (and with it our exclusive international publishing licence). It is this strong core that will be the focus of our drive to restore shareholder value in 2001 and beyond.

Chief Executive's review

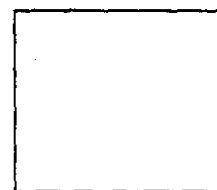
An interview with Greg Ingham

What actually happened in France and how did you react to it?

In October we discovered an internal accounting irregularity in our French business that had resulted in newsstand sales being overstated for the previous two years. An investigation by Deloitte & Touche established that the problem was confined to newsstand accounting at Future France. The details of the irregularity are explained in the Finance Director's Report, but the impact on the French business was significant. Our internal forecasts for 2000 had been based on incorrect information, prompting us to downgrade our profit forecast for the French business by £2.3m.



"We have market leadership in many attractive sectors and highly profitable magazines on which to build. It is this strong core that will be the focus of our drive to restore shareholder value in 2001 and beyond."



What impact did the market slowdown have on the business?

Across the Group, revenue shortfall in the vital last quarter sharply affected our business and led to two profit warnings. It also revealed a need to improve our management systems that had built up during a period of rapid growth. The scale of change prompted us to initiate a review of all aspects of our business and investment plans.

What steps have you taken to improve business performance?

The measures we have taken to restore longer term profitability have been wide-ranging. In total we have closed 20 titles across the Group, sharply reduced Internet Investment, cut staff numbers by 17%, restructured our central support functions, significantly scaled back our activities in France and Germany and closed our small business in the Netherlands and an editorial office in Japan. Our objective, throughout this process, has been to improve our financial position and to ensure we have the right systems and people in place for the long term. Though much has been achieved, further work remains to be done. Closed titles accounted for £18m of revenue and represented losses of £14.7m in 2000. In 2001, restructuring costs will be in the region of £5m and Investment will be reduced to £12m, which includes approximately £3m for losses incurred in 2001 on the closed titles.

How would you view 2000?

So what went wrong?

Following a period of dramatic growth, 2000 turned out to be a more turbulent year for Future and our markets than anticipated. The sudden change in our fortunes overshadowed healthy revenue growth, up 28.6% at £254m, and also a very strong performance from our US business, which grew revenues by 78% to £99m and Underlying Profits by 172% to £19.6m.

What impact did this have?

Low levels of activity in the computer games market, including the eventual slower European launch of PlayStation 2, dotcom collapse and fears of economic slowdown all created a very difficult environment for our publishing activities towards the end of 2000. These external factors were compounded by our over-ambitious investment plans, an accounting problem in France and poor newsstand sales performance in Europe.

Weaker demand in the final quarter had a significant impact on our Underlying Profitability. With our investment for the period already committed, even a small reduction in sales had a direct impact on reported profits. Underlying Profits for the Group rose 6.8% to £33.2m, which after investment of £35.7m, resulted in a loss before interest, tax, and amortisation of £2.5m, compared with EBITA of £20.2m the previous year.

Why were you optimistic about growth?

In 1999 we had established the international network of businesses that became The Future Network and we started 2000 with operations in the UK, US, France, Germany and Italy. The Network was further extended mid-year with the acquisition of a company in Poland. With initially strong consumer interest in the whole technology sector at the start of the year and the planned European launch of PlayStation 2 scheduled for the autumn, we were optimistic about our strategy.

How much did you invest in the business in 2000?

We launched 34 magazines across the Group during the year, an investment of some £19.7m. We were particularly encouraged by the early promise of a number of these launches. The investment in our internet activities amounted to £10.4m, including the UK roll out of our strongly growing US entertainment and computer games site, *dailyradar.com*. Internet traffic continued to grow, reaching 7.3 million monthly unique visitors and 123 million page views by year end. Online revenues also grew strongly, up 282% to £6.5m.

questions and answers

"Despite the difficulties of the second half of the year, we remain positive about what has been achieved overall in the past two years, and are determined to regain our strategic momentum."

^Greg Ingham,
Chief Executive

5.8m
121
7.3m
£254m

Magazines sold per month at year end

Magazines published at year end

Average Internet unique visitors per month in second half

Sales

It has been a challenging year for Future.

We experienced a sharp downturn in many of our markets leading to a disappointing overall financial performance for the year. Although the sales growth we achieved – nearly 29% – was healthy, our profit level was not.

How did this happen?

When Future floated in June 1999 it was against a background of the rapidly growing 'new economy' and booming technology stocks. Future had a long and successful record of developing and operating tech-focused consumer magazines and, at the time of flotation, we articulated an international growth strategy aimed at attracting tech-savvy consumers worldwide through print and the Internet. It was a strategy we believed in and one which was applauded by investors and analysts.

We committed very substantial sums – more than £30m – to magazine and Internet launches during the year 2000.

As is now all too well known, in the second half of the year, the computers games market disappointed and the technology sector worldwide experienced a very public meltdown. Unfortunately our spending was largely committed. Projected magazine sales and advertising simply failed to materialise – particularly in the last quarter – and we suffered the consequent profits impact.

To compound the problem, we had embarked upon a dash for growth without having adequately implemented the management systems to control an international company as tightly as hindsight demonstrates we should have. The most visible result was an accounting irregularity in France, but we also did a poor job of forecasting our end of year performance across the Group.

In addition, given the harsher external environment, our debt level is too high.

In response to these issues, we concluded we needed to slow down our aggressive growth plans, and refocus on the profitable core of the business. This translated into two very tough decisions:

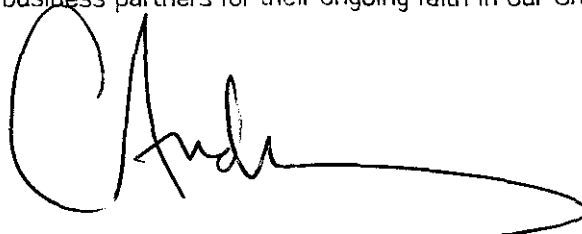
- to close down a number of loss-making magazines, including recent launches. This resulted in more than 300 people being laid off across the Company;
- to hire Morgan Stanley to investigate options for our highly successful new economy magazine *Business 2.0*, including a possible sale.

At the same time our management team and Board have been strengthened, and we have embarked on an overhaul of our management systems. In short, Future has grown up a little.

I am proud of the sense of resolve evidenced throughout the Company as we face these tougher times. Despite the cutbacks, we have carved out a position in our core video games market that gives us every prospect of success in the coming years. We have done this by securing key contracts with Sony and Microsoft, allowing us to publish the official PlayStation 2 magazines in the UK and Italy, and the official Xbox magazines worldwide outside Japan.

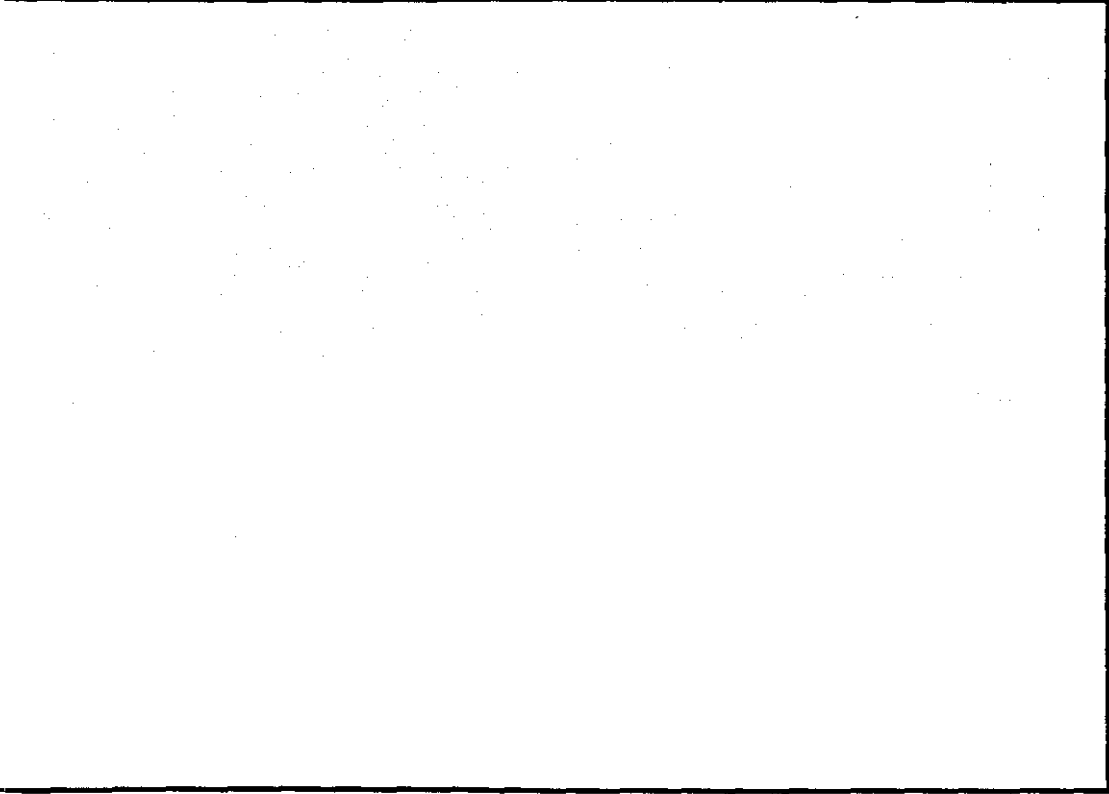
We remain convinced there is a powerful future for 'media with passion', both paper and Web based, but in the year to come we will certainly be more prudent with our resources.

I would like to extend my heartfelt thanks to our shareholders, employees, readers, advertisers and business partners for their ongoing faith in our Group.



Chairman's statement
Chris Anderson talks about last
year and looks to the future

a challenging year



^Chris Anderson,
Executive Chairman

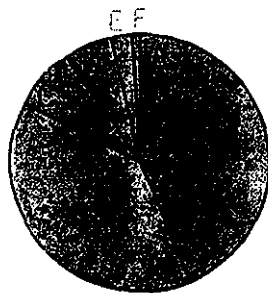
Financial highlights

- >> Sales up 28.6% to £254m
- >> Underlying profit (excluding investment) up 6.8% to £33.2m
- >> Strong US performance, sales up 78% to £99m

Future has built its business by creating premium-priced, high quality magazines, clearly targeted at specialist sectors.

2000 Revenues:

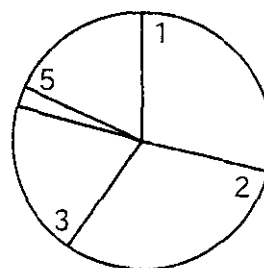
>>Country



- A. UK 43.6%
- B. US 36.9%
- C. France 7.9%
- D. Italy 5.9%
- E. Germany 2.7%
- F. Poland 1.0%

2000 Revenues:

>>Sector



Key titles

1. Computing

PC Format, .net, PC Plus, PC Guide, Computer Arts, Computer Music, Internet Advisor, Internet Works, Mac Format, 3D World, PC Answers, Create Online, Maximum PC, MacAddict, .net pro, Internet Pratique, PC Achat, Home PC, PC Max, Windows News, Il Mio Computer, Computer Magazine, Il Mio Portatile.

2. Games

Official UK PlayStation Magazine, Official UK PlayStation 2 Magazine, PSM2, Gamesmaster, Edge, Power, PlayStation Max, N64, Power, Next Generation, PSM, PC Gamer, Jeux Video Magazine, PC Jeux, Consoles Max, PSM2, Ufficiale PlayStation Magazine, Ufficiale PlayStation 2 Magazine, Giochi per Il Mio Computer, PC Player, CD-Action, Action Plus, Kawaii.

3. Leisure

T3, Total Film, Manchester United Magazine, MBUK, MXUK, Total Guitar, SFX, What DVD?, Hi-Fi Choice, Home Entertainment, Metal Hammer, Cross Stitcher, Guitanet, Chelsea, Good Woodworking, Needlecraft, Future Music, Diesel Car, Glory Glory Manchester United, Redline, Sailing Today, Total Football, Classic Rock, Cycling Plus, Total Guitar, Tutto DVD.

4. Internet

dailyradar.com, intermusic.com, maximumpc.com, computercreative.com, totalfootball.co.uk, t3network.co.uk, macaddict.com

5. Business 2.0

Business 2.0

Business review, activities and future developments

The Group is a leading publisher of video games, home computing and other specialist consumer magazines and Internet websites in the UK, Continental Europe and the US. The Group's principal businesses are Future Publishing Limited in the UK, Imagine Media, Inc. in the US, Future France SA in France (formerly Edicorp Publications SA), Future Media Italy SpA in Italy (formerly Il Mio Castello Editore SpA), Future Verlag GmbH in Germany and Silver Shark Sp z.o.o in Poland. Further details of these operations and the Directors' plans for development are included in the Chief Executive's Review on pages 4 to 21 and the Finance Directors' Report on pages 24 to 26.

Financial results

Group loss before tax for the year was £59,293,000 (1999 restated: loss £3,526,000). After deducting taxation of £1,473,000 (1999 restated: £3,114,000), the loss for the financial year of £60,766,000 (1999 restated: £6,640,000) has been transferred from reserves.

No dividends are recommended for payment.

Policy on payment to suppliers

The Company is a holding company and as at 31 December 2000 had no trade creditors (1999: £nil). 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 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 £16,521,000 (1999: £179,411,000). Details of these transactions are set out in notes 11 and 29 to the accounts.

Directors

The Board of Directors at the date of this Report comprises eight Directors: four executive Directors and four non-executive Directors. The names of the Directors together with their dates of appointment and re-election and brief biographical details are set out on pages 22 and 23.

The Board's report on Directors' remuneration is set out on pages 29 to 32 and includes details of Directors' share options on page 31, pension arrangements and their interests in shares of the Company are set out in pages 30 and 32. The Company's Register of Directors' Interests, maintained under Section 325 of the Companies Act 1985, and which is open to inspection

at the Company's registered office, contains full details of Directors' shareholdings and options to subscribe for shares. Details of Directors' interests in related party transactions are included in note 32 to the accounts.

Corporate governance

The Board's report on Corporate Governance, including the Directors' statement on responsibilities for the preparation of the accounts is set out on pages 33 to 35.

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 employees and their representatives.

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 has given full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. It has made appropriate arrangements for the continuing employment and training, career development and promotion of disabled persons employed by the Group.

Introduction of the Euro

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 £41,000 (1999: £11,000). No political contributions were made.

Employee share schemes

The Company has a policy of wide participation in employee share schemes. Since Listing the Group has established a range of share option plans which are detailed in note 25 to the accounts.

Directors' report

Share and other interests

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 19 March 2001 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
Chris Anderson	36,680,537	25.7%
Greg Ingham	4,619,271	3.2%
Deutsche Bank	20,444,343	14.3%

Post balance sheet events

Details of post balance sheet events are set out in note 33 to the accounts.

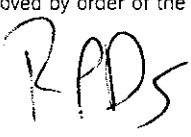
Annual General Meeting

The Company's second Annual General Meeting will be held on 12 June 2001 at 10.00am at the offices of S J Berwin & Co. 222 Grays Inn Road, London WC1X 8HB.

Auditors

The auditors, PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by order of the Board


R Day Company Secretary
19 March 2001

Remuneration Committee

The Remuneration Committee is comprised of two non-executive Directors, Roger Parry (Chairman of the Committee), and Brendan Clouston. The executive Chairman of the Company attends meetings by invitation of the Committee.

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. The Committee also provides advice to the executive Directors on significant policies affecting the remuneration, performance and development of senior management below the Board level. The Committee has access to advice from external consultants, as it considers necessary. The Committee is also responsible for approving the terms of all employee share incentive arrangements.

Compliance with the Combined Code

The Board has applied the 'Principles of Good Governance' contained in the Combined Code issued by the 'Committee on Corporate Governance' (the 'Code') 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 Financial Services Authority. Any non-compliance with specific provisions is also explained.

Policy on remuneration of executive Directors

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 executive Directors so as to attract, retain and motivate executives of the highest calibre, and at the same time optimise the interests of shareholders.
- (c) The policy also has regard to:
 - the fact that some of the executive Directors hold significant shareholdings in the Company, and,
 - the packages of senior management within the Group.
- (d) Annual rewards and long-term incentives combine a significant element of performance-related remuneration, and are therefore aligned with the Group's achievement of its results, and individual executive Directors' contributions towards that achievement.

The following are the key elements of the remuneration packages for the executive Directors:

- (i) **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 the executive Director, and pay awards elsewhere in the Group. Salaries are reviewed annually by the Remuneration Committee.

- (ii) **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 operating profit growth, the revenue related part of the bonus only being payable where the operating profit element has been achieved. Adjustment is made to reflect the impact on one year's results caused by acquisitions or disposals and for variation in the level of investment spending. The plans extend for a four year period commencing on the date of flotation of the Company on 25 June 1999 or the date of an executive Director joining, if later. 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. The performance bonuses are based on revenue and profit growth and there are therefore no maximum levels for bonuses. 50% of the calculated annual bonus will be payable on an annual basis, 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.

- (iii) **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. In addition, the Company has agreed to grant options in respect of 300,000 Ordinary shares to Colin Morrison as soon as permitted by the Rules of the London Stock Exchange and applicable law, at an exercise price per Ordinary share equal to the middle market quotation for a Future Network Ordinary share on 5 January 2001, the date of Colin Morrison joining the Company. 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 also considered to be a long-term incentive plan.

- (iv) **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 bonus and pensions are given on page 30. Details of the interests in the Company's share option schemes for each executive Director are given on page 31. Directors' share interests are given on page 32.

Policy on non-executive Directors' remuneration

(i) **Remuneration of non-executive Directors** The remuneration of the non-executive Directors is determined by the executive Board. 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 32.

Policy on service contracts

(i) **Service contracts of executive Directors** Each of Greg Ingham, Ian Linkins and Colin Morrison has a service contract with the Company, which is 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 12 months. 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 provision that provides that non-executive Directors should be appointed for specified terms. Non-executives will stand for re-election every three years, and their initial terms will be staggered to avoid retirement simultaneously.

Retirement and Re-election

Colin Morrison and Elisabeth Murdoch are both offered for re-election at the forthcoming Annual General Meeting, both having been appointed as Directors subsequent to the Company's last General Meeting. In addition, Roger Parry will retire and is offered for re-election at the forthcoming Annual General Meeting in accordance with Article 14.1 of the Company's Articles of Association.

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 a non-executive appointment, with the Board's approval. Chris Anderson, Executive Chairman of the Company, is an executive Director of certain other companies. Details of his related party transactions are shown in note 32 to the accounts.

Emoluments of the Directors

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

A Aggregate emoluments

	2000 £'000	1999 £'000
Salaries and fees	619	439
Benefits	24	19
Annual performance-related bonuses	-	125
Non recurring Listing bonuses	-	229
Pension contributions	18	18
Total	661	830

B Individual emoluments of Directors

	Salary and fees £'000	Benefits £'000	Pension contributions £'000	2000 Total £'000	1999 Total £'000
Executive					
C Anderson	141	5	-	146	136
G Ingham	225	10	9	244	396
I Linkins	135	9	9	153	234
Non-executive					
B Clouston	30	-	-	30	16
P Fitzsimons	14	-	-	14	16
B Manfrey	14	-	-	14	16
R Parry	30	-	-	30	16
M Penington	21	-	-	21	-
E Murdoch	9	-	-	9	-
Total	619	24	18	661	830

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

(2) Under the terms of his service contract C Anderson was obliged to devote at least 66% of his working time to the performance of his duties for the period 1 January 2000 to 17 June 2000. With effect from 17 June 2000 his obligation was reduced to 50% of his working time.

(3) Two executive Directors have retirement benefits accruing under money purchase pension schemes.

(4) No annual performance-related bonuses have been earned in the year.

(5) P Fitzsimons and B Manfrey both ceased to be non-executive Directors on 21 June 2000.

(6) M Penington was appointed as a non-executive Director on 19 April 2000.

(7) E Murdoch was appointed as a non-executive Director on 11 September 2000.

(8) C Morrison was appointed as an executive Director on 31 October 2000, and joined the Company on 5 January 2001.

Share Option Schemes applicable to executive Directors. The executive Directors of the Company were granted options at flotation under the Senior Management Share Option Scheme (the 'Senior Scheme') over The Future Network plc shares. Other senior executives also participate in the Senior Scheme.

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 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 comprises:

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

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.

All options under this scheme 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 Scheme by executive Directors in the Ordinary shares of The Future Network plc as at 31 December 2000, and movements during the year are shown below:

Interests in share options

	Date of grant	Earliest exercise date	Expiry date	Exercise price (pence)	Balance at 1 January 2000	Lapses during the year	Balance at 31 December 2000
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	(129,870)	207,792
I Links	25 June 1999	25 June 2002	25 June 2009	385	129,870	—	129,870

¹In addition to the information provided in the table above, under the rules of the Imagine Stock Appreciation Rights Scheme, as converted into the Future Network option plan for Imagine employees '1999 Plan', 81.2% of any rights to acquire shares in the capital of the Company, which lapse for an Imagine Media, Inc. employee ceasing to be employed, automatically revert to C Anderson. As at 31 December 2000 C Anderson held 1,231,512 share options under the 1999 Plan (1999: 1,007,481).

²Included within the number of share options for G Ingham as at 1 January 2000 were 129,870 share options, which were granted to J Ingham, his wife. These 129,870 options lapsed during the year.

No options granted under the senior scheme were exercised during the year. The middle market price of The Future Network plc Ordinary shares during the year was in the range 926p to 142.5p. The average price for the year was 682.5p and the year end price was 146p.

As stated above, the Company has agreed to grant options in respect of 300,000 Ordinary shares to Colin Morrison as soon as permitted by the Rules of the London Stock Exchange and applicable law, at an exercise price per Ordinary share equal to the middle market quotation for a Future Network Ordinary share on the date of Colin Morrison joining the Company.

Share option schemes applicable to other employees

Options were granted at flotation and subsequently over the Company's shares under the share schemes detailed in note 25 to the accounts. Some of 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 Scheme. The Remuneration Committee considered the appropriateness of the performance criteria for the International Scheme for the year ended 31 December 2000 in the light of the Group's strategy for the year 2000, and it agreed to waive such criteria for the year ended 31 December 2000 as not to do so would not have been in the interests of the Group.

Remuneration report

Interests in Ordinary shares

The table below shows the Directors' interests in issued Ordinary shares (excluding share options, which are set out on page 31) in The Future Network plc from 1 January 2000 to 31 December 2000:

Name	Balance as at 1 January 2000 or date of appointment	Balance as at 31 December 2000 or date of resignation
Executive Directors		
C Anderson ³	36,680,537	36,680,537
G Ingham ^{1,3}	4,619,271	4,619,271
I Linkins ³	1,281,640	1,281,640
Non-executive Directors		
B Manfrey ²	17,212,762	-
P Fitzsimons ²	17,212,762	-
R Parry	40,000	40,000
B Clouston	120,000	120,000
M Penington	-	5,000
E Murdoch	-	-

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

²B Manfrey and P Fitzsimons were, 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. B Manfrey and P Fitzsimons retired as Directors of the Company at the Company's first Annual General Meeting held on 21 June 2000.

³The holdings of C Anderson, G Ingham and I Linkins include their interests in, respectively, 3,564,796 shares, 317,826 shares and 143,022 shares, pursuant to the terms of the Purchase Option Deed. Further details of the Purchase Option Deed are set out in note 32 to the accounts.

Long-term incentive scheme

The annual bonus scheme provides that 50% of the bonus entitlement for each executive Director be deferred and paid at the end of the four year period to which the bonus plan relates. If an executive Director leaves the Company before the expiry of the four year period the deferred element of the bonus lapses. No new bonus entitlements were accrued during the year ended 31 December 2000. The amounts accruing from performance in the year ended 31 December 1999, but not payable until June 2003 are as follows:

	Deferred element of annual performance-related bonus relating to the financial year ended 31 December 1999 (payable in June 2003) £'000
C Anderson	26
G Ingham	20
I Linkins	18

R Parry Chairman of the Remuneration Committee
19 March 2001

The Directors of The Future Network plc subscribe 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, where appropriate having regard to the interests of the Company. 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 29 to 32. During the financial year ended 31 December 2000, the Company has complied with the specific best practice provisions of Section 1 of The Code, with the exception of:

- Code provision A.6.1 regarding the appointment, during the financial year ended 31 December 2000, of non-executive Directors for specified terms; and
- Code principle D.2 – the Directors consider that elements of the Company's system of internal controls were found to fall below the standards required by the Turnbull Report.

The Board

As at the date of this report, the Board comprises four executive Directors: Chris Anderson (Chairman), Greg Ingham (Chief Executive), Colin Morrison (Deputy Chief Executive) and Ian Linkins (Finance Director); and four non-executive Directors: Brendan Clouston (senior independent Director), Roger Parry, Michael Penington and Elisabeth Murdoch.

Barbara Manfrey and Paul Fitzsimons retired from their positions as non-executive Directors at the Annual General Meeting on 21 June 2000, and did not stand for re-election.

Michael Penington and Elisabeth Murdoch were appointed as non-executive Directors on 19 April 2000 and 11 September 2000 respectively.

Colin Morrison was appointed as Deputy Chief Executive on 31 October 2000, and joined the Company on 5 January 2001.

Non-executive Directors

Each of Brendan Clouston, Roger Parry and Michael Penington retired and stood for re-election at the Company's Annual General Meeting on 21 June 2000 as required by the Code.

Elisabeth Murdoch, having been appointed solely by the Board of the Company, will retire and stand for election by the Shareholders at the 2001 Annual General Meeting, as is required by the Code.

Roger Parry has agreed to retire and to stand for re-election at the 2001 Annual General Meeting.

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 Committee Report on page 30, the notice period for all executive Directors is one year. In order to comply with the provisions of the Code, each of the executive Directors of the Company retired and were elected by the shareholders at the Company's Annual General Meeting on 21 June 2000.

As Colin Morrison was appointed solely by members of the Board, he will retire and stand for election by the shareholders at the 2001 Annual General Meeting.

The Company in complying with the Code, will ensure that no Director serves for a period longer than three years without 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 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.

The Audit Committee comprises Brendan Clouston, who is Chairman of the Committee (appointed on 15 March 2001), Roger Parry and Elisabeth Murdoch. Prior to the appointment of Brendan Clouston as Chairman on 15 March 2001 the Audit Committee was chaired by Paul Fitzsimons up until the date of his retirement on 21 June 2000 and subsequently by Michael Penington from 21 June 2000 to 15 March 2001. The members of the Audit Committee are considered by the Company to be 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, and it is responsible for:

- reviewing the operation of internal controls;
- reviewing the 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; and
- 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) and Roger Parry. The Committee has responsibility for making recommendations to the Board in relation to Board appointments and succession issues.

Internal control framework

The Directors have overall responsibility for establishing financial reporting procedures to provide them with a reasonable basis to make proper judgements as to the financial position and prospects of the Group and for establishing the Group's system of internal 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 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 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.

The Board reviews the Company's system of internal controls at least annually. In addition, if the Board discovers any material failure of internal control systems, that failure is subjected to immediate review.

The key features of the Group's internal control framework 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 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 related party transactions.
- (f) Responsibility for compliance with local law and regulation and the operational management of the Group's operating companies is devolved to country managers.
- (g) Any material litigation or proceedings are required to be notified to the Board, who then assess the internal controls of the Group against the background to any such proceedings.
- (h) Periodic review of the measurement and assessment of the principle 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.

Results of the Board's Annual Review of Internal Controls
Following the annual review, the Board has concluded that certain areas of the Group's internal control systems do not comply with the guidance issued by the Turnbull Committee. The Board recognises the important role that control systems have to play in safeguarding the Company's assets and shareholder's interests, and is committed to addressing the weaknesses identified by the Board's review.

In particular, the Company has, with the assistance of its risk management committee, started to document a series of risk management policies and procedures aimed to mitigate those key business risks identified by the risk management committee.

The Board has placed an immediate priority on formalising and documenting the Group's many existing control systems and improving the management information systems and timeliness of reporting.

The Board has also taken steps to ensure that increased resource is available to conduct operational and financial reviews of each operating company and to report the findings from such reviews to the Audit Committee. These reviews are designed to check that established policies and procedures are being complied with and to ensure that such policies and procedures are effective at mitigating operational and financial risk.

French accounting irregularity

The Board considers that it should examine any material weaknesses in its internal control system which are discovered to determine, in the light of any such weaknesses, what remedial action should be taken. In undertaking any such examination, the Board will take into account that no internal control system can, or should, provide absolute protection against all risks.

On 9 October 2000, the Company announced that it had uncovered accounting irregularities in Future France SA, the Company's French operating subsidiary. The Board commissioned an independent report from Deloitte & Touche to examine the nature of the error, how it arose and why the Company's internal financial controls did not highlight the error more quickly.

The problem was confirmed to relate to the accounting entries recording newsstand sales in France. It had originated in 1998, and resulted in an overstatement of reported sales and debtors in 1998, 1999 and the first half of 2000.

The Board has acted on the report by appointing a new local Finance Director and a new Financial Controller at Future France SA, and has instigated improvements to financial information systems in France.

In addition, the Company conducted investigations into the accounting for newsstand sales at each operating company within the Group. This investigation confirmed that the accounting error made was confined solely to Future France SA, and that the Group's internal financial control systems in respect of newsstand sales were operating correctly elsewhere in the Group.

Internal audit function

During the financial year ended 31 December 2000, the Board considered the need for an internal audit function. The Board has concluded that an independent internal audit department with the necessary technical and language skills is not justified by the current size of the Group. The Group will therefore allocate sufficient internal resources to manage an internal audit programme utilising contracted in skills to be operational during 2001. This will complement the existing system whereby Group operational and finance personnel are periodically instructed to conduct specific and detailed reviews of those business functions relating to key risk areas in each operating company, and to report the findings of such reports directly back to the Board.

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 these requirements in preparing the accounts.

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

The Directors are also responsible for the maintenance and integrity of the Group's website. Information published on the Internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 adopt the going concern basis in preparing the financial statements.

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 36.

Auditors' fees

The Audit Committee has reviewed the remuneration received by PricewaterhouseCoopers for non-audit work. The fees for non-audit work largely comprise work in respect of restating the Group's 1999 accounts in accordance with US GAAP and services in connection with potential acquisitions during the year. 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 19 March 2001

R Day Company Secretary

Independent Auditors' report to the members of The Future Network plc

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

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 Companies Act 1985. 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. The other information comprises only, the Chairman's Statement, the Chief Executive's Review, the Chief Executive's Review of Operations, the Finance Director's Report, the Directors' Report, the Remuneration Report and the Corporate Governance Report.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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.

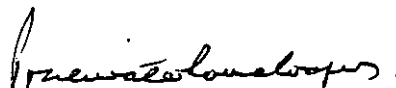
Basis of audit opinion

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 judgements 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 at 31 December 2000 and 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.



PRICEWATERHOUSECOOPERS

Chartered Accountants and Registered Auditors
Bristol
19 March 2001

Group profit and loss account
for the year ended 31 December 2000

		Continuing operations		Total continuing operations	Discontinued operations	Actual 2000 Total £'000	Restated Actual 1999 Total £'000	Restated Pro forma 1999 Total £'000
	Note	£'000	Acquisitions £'000	£'000	£'000			
Turnover	2(a)	229,005	7,022	236,027	17,962	253,989	172,919	197,470
Cost of sales		(164,989)	(5,494)	(170,483)	(26,356)	(196,839)	(114,807)	(135,331)
Gross profit/(loss)		64,016	1,528	65,544	(8,394)	57,150	58,112	62,139
Distribution expenses		(13,865)	(256)	(14,121)	(1,302)	(15,423)	(8,266)	(10,926)
Administrative expenses		(84,336)	(1,882)	(86,218)	(4,974)	(91,192)	(44,522)	(55,785)
Operating profit/(loss) excluding amortisation and impairment of intangible assets		11,644	537	12,181	(14,670)	(2,489)	22,119	20,242
Amortisation and impairment of intangible assets	9, 11	(45,829)	(1,147)	(46,976)	-	(46,976)	(16,795)	(24,814)
Operating (loss)/profit		(34,185)	(610)	(34,795)	(14,670)	(49,465)	5,324	(4,572)
Share of operating loss of associates	11					(450)	-	-
Operating (loss)/profit including loss of associates						(49,915)	5,324	(4,572)
(Loss)/profit on disposal of fixed asset investments						(117)	1,962	10,895
Write down of fixed asset investments	11					(4,552)	-	-
Net interest payable and similar charges	6					(4,709)	(10,812)	(2,798)
(Loss)/profit on ordinary activities before tax	2(b), 4					(59,293)	(3,526)	3,525
Tax on (loss)/profit on ordinary activities	7					(1,473)	(3,114)	(6,413)
Loss on ordinary activities after tax						(60,766)	(6,640)	(2,888)
Loss for the financial year	27					(60,766)	(6,640)	(2,888)

Adjustments to loss on ordinary activities after tax

	Note	Actual 2000 £'000	Restated Actual 1999 £'000	Restated Pro forma 1999 £'000
Loss on ordinary activities after tax		(60,766)	(6,640)	(2,888)
Add: amortisation and impairment of intangible assets	4	46,976	16,795	24,814
Adjusted (loss)/profit on ordinary activities after tax		(13,790)	10,155	21,926

Actual earnings per 1p Ordinary share (in pence)

	Note	Actual 2000	Restated Actual 1999	Restated Pro forma 1999
Basic loss per share	8	(42.68)	(6.51)	(2.09)
Adjusted basic (loss)/earnings per share	8	(9.69)	9.96	15.88
Diluted loss per share	8	(42.68)	(6.51)	(2.09)
Adjusted diluted (loss)/earnings per share	8	(9.69)	9.03	14.51

Group activity analysis for the year ended 31 December 2000

Turnover by business unit

	Actual 2000 £'000	Restated Actual 1999 £'000	Restated Pro forma 1999 £'000
Print			
United Kingdom	109,112	99,819	99,819
United States	93,886	34,090	54,189
France	20,028	20,938	20,938
Italy	14,973	12,465	16,594
Germany	6,965	4,208	4,208
Poland	2,575	-	-
	247,539	171,520	195,748
Internet	6,450	1,399	1,722
Total	253,989	172,919	197,470

Results by business unit

	Actual 2000 £'000	Restated Actual 1999 £'000	Restated Pro forma 1999 £'000
Print			
United Kingdom	12,792	19,441	19,441
United States	7,533	6,391	3,906
France	(4,570)	823	823
Italy	844	2,667	3,803
Germany	(5,688)	(2,123)	(2,123)
Poland	11	-	-
	10,922	27,199	25,850
Internet	(10,400)	(3,035)	(3,563)
Central operating costs	(3,011)	(2,045)	(2,045)
Operating (loss)/profit excluding amortisation and impairment of intangible assets	(2,489)	22,119	20,242

Turnover by category

	Actual 2000 £'000	Restated Actual 1999 £'000	Restated Pro forma 1999 £'000
Circulation	127,830	109,998	122,765
Advertising	111,034	54,987	66,032
Internet	6,450	1,399	1,722
Other	8,675	6,535	6,951
Total	253,989	172,919	197,470

Balance sheets

as at 31 December 2000

	Note	Group 2000 £'000	Company 2000 £'000	Restated Group 1999 £'000	Restated Company 1999 £'000
Fixed assets					
Intangible assets	9	253,775	-	292,563	-
Tangible assets	10	9,294	37	6,075	-
Investments	11				
- Investment in Group undertakings		-	43,462	-	43,315
- Investments in associates		4,634	-	-	-
- Other investments		1,071	-	2,445	-
		5,705	43,462	2,445	43,315
		268,774	43,499	301,083	43,315
Current assets					
Stocks	13	8,778	-	5,872	-
Debtors	14	60,634	185,858	48,149	175,085
Investments	12	-	-	1,040	-
Cash at bank and in hand		10,780	328	18,940	766
		80,192	186,186	74,001	175,851
Creditors: amounts falling due within one year	15	(102,298)	(33,325)	(61,667)	(8,679)
Net current (liabilities)/assets		(22,106)	152,861	12,334	167,172
Total assets less current liabilities		246,668	196,360	313,417	210,487
Creditors: amounts falling due after more than one year	16	(49,896)	(46,361)	(39,910)	(36,171)
Provisions for liabilities and charges	18	(1,205)	-	(1,554)	(32)
Net assets		195,567	149,999	271,953	174,284
Capital and reserves					
Called-up share capital	24	1,430	1,430	1,413	1,413
Share premium account	26	137,821	137,821	135,582	135,582
Merger reserve	28	109,015	-	109,015	-
Other reserves	28	21,949	21,810	40,186	39,810
Profit and loss account	27	(74,648)	(11,062)	(14,243)	(2,521)
Total equity shareholders' funds		195,567	149,999	271,953	174,284

Approved by the Board on 19 March 2001 and signed on its behalf by:

G Ingham Chief Executive

I Linkins Finance Director

G Ingham *I Linkins*
G Ingham *I Linkins*

Statement of total recognised gains and losses

for the year ended 31 December 2000

	Note	Actual 2000 £'000	Restated Actual 1999 £'000
Loss for the financial year		(60,766)	(6,640)
Exchange adjustments offset in reserves	27, 28	(70)	(1,808)
Reversion of rights pertaining to investments from departing employees	28	211	376
Unrealised gain arising from the provision of advertising in exchange for warrants to acquire unlisted investments		95	-
Total losses recognised relating to the year		(60,530)	(8,072)
Prior year adjustment (see note 1)		(1,170)	-
Total gains and losses recognised since last annual report		(61,700)	-

Reconciliation of movements in group shareholders' funds

for the year ended 31 December 2000

	Note	Group Actual 2000 £'000	Restated Group Actual 1999 £'000
Loss for the financial year		(60,766)	(6,640)
Proceeds from issue of shares	24	17	735
Premium on issue of shares (net of expenses)	26	1,861	135,582
Refund of costs on issue of shares previously offset against share premium	26	378	-
Merger reserve arising in the year		-	108,211
Exchange adjustments offset in reserves	27, 28	(70)	(1,808)
Deferred consideration not settled by issue of shares	28	(18,000)	-
Other reserve movements arising from acquisition of Imagine Media, Inc.		-	39,810
Unrealised gain arising from the provision of advertising in exchange for warrants to acquire unlisted investments	28	95	-
Adjustment for shares issued under share option schemes through share option trust	27	(112)	-
Reversion of rights pertaining to investments from departing employees	28	211	376
Net movement in shareholders' (deficit)/funds		(76,386)	276,266
Opening shareholders' funds/(deficit) restated		271,953	(4,313)
Shareholders' funds as at 31 December		195,567	271,953

Group cash flow statement
for the year ended 31 December 2000

	Note	Actual 2000 £'000	Restated Actual 1999 £'000
Net cash (outflow)/inflow from operating activities	19	(1,627)	15,181
Returns on investments and servicing of finance			
Interest received		730	516
Interest paid		(3,337)	(9,720)
Issue costs of bank loans		-	(1,602)
Net cash outflow from returns on investments and servicing of finance		(2,607)	(10,806)
Tax paid		(2,236)	(3,040)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5,303)	(2,682)
Purchase of fixed asset investments		(2,792)	(1,185)
Sale of tangible fixed assets		77	62
Sale of current asset investments		1,507	11,328
Net cash (outflow)/inflow for capital expenditure and financial investment		(6,511)	7,523
Acquisitions			
Purchase of subsidiary undertakings	29	(2,242)	(1,691)
Purchase of associates		(5,373)	-
Cash proceeds on disposal of associate		409	-
Net cash acquired with subsidiary undertakings		-	319
Payment of deferred consideration		(18,000)	(15,388)
Purchase of businesses	29	(4,580)	(29,210)
Net cash outflow for acquisitions		(29,786)	(45,970)
Net cash outflow before use of liquid resources and financing		(42,767)	(37,112)
Management of liquid resources			
Decrease in short term deposits		-	1,000
Financing			
Proceeds from issue of ordinary share capital		442	150,131
Refund of expenses/(expenses) of share issue	26	378	(11,492)
Proceeds from issue of loan notes		-	9,716
Repayment of loan notes		-	(68,411)
Draw down of bank loans		41,008	65,611
Movement on discounted bills		(636)	1,247
Repayment of shareholder loan		(1,022)	-
Repayment of bank loans		(6,000)	(98,736)
Net cash inflow from financing		34,170	48,066
(Decrease)/increase in cash in the year	20, 21	(8,597)	11,954

The actual financial information has been prepared on the basis of the accounting policies set out below.

The profit and loss accounts, on an actual and pro forma basis, for the year ended 31 December 1999 are based on the profit and loss accounts included in the 1999 Annual Report as restated for the prior year adjustments as described in note 1. The 1999 pro forma profit and loss account is unaudited.

The pro forma comparative profit and loss account for the 12 months to 31 December 1999 is based on a full 12 months trading for all companies which became part of the Group before and at flotation, and assume that the capital and financing structure of the Group at flotation applied throughout the year.

Accounting policies

The accounts have been prepared under the historical cost convention, and in accordance with accounting standards applicable in the United Kingdom. The principal accounting policies which have been consistently applied, except for the adoption of UITF 25 'National Insurance contributions on share option gains' as described in note 1, are set out below.

Basis of consolidation

The consolidated accounts comprise the Company and all of its subsidiary undertakings. The principal operating subsidiary and associated undertakings are listed in note 34 to the accounts. The results of subsidiary undertakings are consolidated from the effective date of acquisition and businesses sold are included up to the date of disposal. Interests in associated companies have been included in the consolidated accounts using the equity method of accounting.

Intangible assets

On acquisition of a subsidiary, associated undertaking or business, the purchase consideration is allocated between the underlying net assets on a fair value basis, with any excess purchase consideration representing goodwill. The purchase consideration is stated at fair value. Purchased goodwill is capitalised and amortised on a straight line basis over the estimated useful life of each acquisition. Internally developed goodwill and other intangible assets are not capitalised.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. No depreciation is provided on freehold land.

For other tangible fixed assets depreciation is calculated to write down the cost of the tangible fixed assets to their estimated residual values by equal annual instalments over the period of their estimated useful lives, which are considered to be:

Freehold buildings	-- 50 years
Leasehold properties and improvements	-- 50 years or period of the lease if shorter
Plant and machinery	-- between 2 and 5 years
Equipment, fixtures and fittings	-- between 2 and 10 years

Impairment of fixed assets

Fixed assets including goodwill are reviewed to determine whether their value appears to have been impaired. Where a fixed asset has been impaired, the impairment is charged to the profit and loss account, and the asset is carried at its recoverable amount.

Investments

Investments in subsidiary undertakings are stated at the fair value of consideration payable including related acquisition costs. Other fixed asset and short term investments are stated at the lower of cost and net realisable value.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction, or where forward exchange contracts have been arranged, at the contracted rate. Monetary assets and liabilities denominated in foreign currencies, where a contract rate does not apply, are translated at the exchange rates ruling at the balance sheet date, and any exchange differences are taken to the profit and loss account.

Profits and losses of overseas subsidiaries that have currencies of operation other than Sterling are translated into Sterling at average rates of exchange ruling during the period, except for material items that are translated at the rate ruling at the date of transaction. Differences between the profit and loss accounts translated at average rates and at balance sheet rates are shown as a movement on reserves and in the statement of total recognised gains and losses.

Where practicable, the Group's overseas equity investments are financed by borrowings in the currencies in which those assets are denominated. Exchange differences arising from the retranslation of overseas net investments, including goodwill and the related loans together with the related tax effect, are dealt with through reserves and the statement of total recognised gains and losses. Other exchange differences are taken to the profit and loss account.

Financial instruments

Derivative financial instruments are used by the Group to reduce exposure to foreign exchange and interest rate risks. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an existing underlying exposure of the Group.

Payments and receipts under interest rate swaps are accrued within net interest payable. The swaps are not revalued to fair value or shown in the Group balance sheet at the year end.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. For raw materials, cost is taken to be the purchase price. For work in progress and finished products cost is calculated as the direct cost of production.

Turnover

Turnover is the amount derived from the provision of goods and services falling within the Group's ordinary activities after deduction of trade discounts, provision for returns and value added taxes. The circulation and advertising turnover relating to a magazine issue is recognised with effect from the date that the issue goes on sale. Income arising from exhibitions and shows relating to future periods is deferred until those events have taken place, but only to the extent that the costs are expected to be recoverable.

Deferred income

Subscription payments received are held in the balance sheet and recognised in the profit and loss account on publication of each issue.

Leases

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

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

Capitalisation of finance costs and interest

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the terms of the borrowings and represent a constant proportion of the capital repayments outstanding. Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than 12 months are included in the accrued charges within current liabilities. For all other borrowings, accrued finance charges and issue costs are added to the carrying value of those borrowings.

Development and subscription costs

Launch, development and subscription acquisition costs are written off in full as incurred.

Pensions

Contributions payable in respect defined contribution schemes are charged to the profit and loss account as they are incurred.

Deferred taxation

Deferred taxation is provided using the liability method in respect of timing differences where the liability or asset is expected to crystallise in the foreseeable future.

Share schemes

When an employee is granted options to subscribe for shares, any difference between the fair value of those shares at the date the grant is made and the option price payable by the employee is charged to the profit and loss account over the period from the date of grant to the date at which the employee becomes unconditionally entitled to the shares.

Employer taxes on options and share related benefits are accrued over the performance period of the option in accordance with UITF 25: 'National Insurance contributions on share option gains'.

1. Prior year adjustment

French accounting irregularities The Company discovered accounting irregularities in Future France SA, its French subsidiary in October 2000. The errors arose due to misstatements in the recognition of newsstand sales. This resulted in turnover and operating profit for the period ended 31 December 1998, and the year ended 31 December 1999 being overstated by £2,216,000 and £1,041,000 respectively, and trade debtors at 31 December 1999 being over-stated by £3,034,000 (1998: £2,014,000). As a result of the errors Future France SA overpaid corporation tax totalling £1,286,000 of which £416,000 related to 1999.

Adoption of UITF 25 'National Insurance contributions on share options gains' UITF 25 has been adopted with effect from 1 January 2000, and requires that the provision for employer taxes on share options and share related benefits should be recognised over the performance period of the options. Prior to 1 January 2000 the Group's accounting policy was to provide for the employer taxes on share options on a full basis. The effect in the 12 months to 31 December 2000 from changing this accounting policy was to increase the loss for the year by £658,000 from £60,108,000 to £60,766,000.

The following tables summarise the effect of restating the 1999 consolidated accounts for the French accounting irregularity and the adoption of UITF 25:

1999 profit and loss account

	Actual				Pro forma			
	As previously reported £'000	French accounting irregularity £'000	UITF 25 £'000	Restated £'000	As previously reported £'000	French accounting irregularity £'000	UITF 25 £'000	Restated £'000
Turnover	173,960	(1,041)	–	172,919	198,511	(1,041)	–	197,470
Administration expenses	(45,172)	–	650	(44,522)	(56,435)	–	650	(55,785)
Operating profit/(loss)	5,715	(1,041)	650	5,324	(4,181)	(1,041)	650	(4,572)
Tax	(3,530)	416	–	(3,114)	(6,829)	416	–	(6,413)
Loss after tax	(6,665)	(625)	650	(6,640)	(2,913)	(625)	650	(2,888)

1999 balance sheet

	As previously reported £'000	Discounted bills reclassification £'000	French accounting irregularity £'000	UITF 25 £'000	Restated £'000
Trade debtors	43,029	1,247	(3,034)	–	41,242
Corporate tax recoverable	–	–	1,214	–	1,214
Creditors due within one year	(60,420)	(1,247)	–	–	(61,667)
Provisions for liabilities and charges	(2,204)	–	–	650	(1,554)
Net assets	273,123	–	(1,820)	650	271,953
Profit and loss reserves as at 1 January 1999	(4,397)	–	(1,398)	–	(5,795)
Loss for the year ended 31 December 1999	(6,665)	–	(625)	650	(6,640)
1999 net exchange adjustments	(2,011)	–	203	–	(1,808)
Profit and loss account as at 1 January 2000	(13,073)	–	(1,820)	650	(14,243)
Total shareholders' funds	273,123	–	(1,820)	650	271,953

The impact of adopting UITF 25 on the 1999 accounts of the Company is to reduce provision for liabilities and charges as at 31 December 1999 by £78,000.

2. Segmental reporting

The Group is involved in one class of business, the publication of magazines and Internet websites.

The geographical analyses of turnover, profit/(loss) before tax, and net assets by origin, and turnover by destination were as follows:

(a) Turnover by origin

	Continuing operations		Total continuing operations 2000 £'000	Discontinued operations 2000 £'000	Actual Total Turnover 2000 £'000	Restated	Restated
	2000 £'000	Acquisitions 2000 £'000				Actual Total Turnover 1999 £'000	Pro forma Total Turnover 1999 £'000
United Kingdom	103,763	4,447	108,210	3,469	111,679	100,822	100,944
United States	88,612	-	88,612	10,531	99,143	35,076	55,498
France	17,413	-	17,413	2,615	20,028	20,938	20,938
Italy	14,981	-	14,981	-	14,981	12,465	16,594
Germany	5,660	-	5,660	1,347	7,007	4,226	4,226
Poland	-	2,575	2,575	-	2,575	-	-
Turnover between segments	(1,424)	-	(1,424)	-	(1,424)	(608)	(730)
Total	229,005	7,022	236,027	17,962	253,989	172,919	197,470

(b) Profit/(loss) before tax by origin

	Continuing operations		Total continuing operations 2000 £'000	Discontinued operations 2000 £'000	Actual Total Profit/(loss) before tax 2000 £'000	Restated	Restated
	2000 £'000	Acquisitions 2000 £'000				Actual Total Profit/(loss) before tax 1999 £'000	Pro forma Total Profit/(loss) before tax 1999 £'000
United Kingdom	4,484	(621)	3,863	(948)	2,915	13,625	13,625
United States	(12,510)	-	(12,510)	(9,303)	(21,813)	(2,640)	(4,738)
France	(16,301)	-	(16,301)	(2,340)	(18,641)	(858)	(858)
Italy	(897)	-	(897)	-	(897)	1,070	1,895
Germany	(11,991)	-	(11,991)	(2,079)	(14,070)	(2,704)	(2,704)
Poland	-	(106)	(106)	-	(106)	-	-
Central costs	(6,681)	-	(6,681)	-	(6,681)	(12,019)	(3,695)
Total	(43,896)	(727)	(44,623)	(14,670)	(59,293)	(3,526)	3,525

(c) Net assets by origin

	Continuing operations		Total 2000 £'000	Restated Total 1999 £'000
	£'000	Acquisitions £'000		
United Kingdom	102,750	4,447	107,197	116,838
United States	136,141	-	136,141	143,616
France	12,831	-	12,831	30,108
Italy	15,665	-	15,665	18,783
Germany	493	-	493	7,185
Poland	-	2,370	2,370	-
Interest bearing liabilities	(79,130)	-	(79,130)	(44,577)
Total	188,750	6,817	195,567	271,953

Discontinued activities have no separately identifiable net assets.

(d) Turnover by destination

	Actual 2000 £'000	Restated Actual 1999 £'000	Restated Pro forma 1999 £'000
United Kingdom	100,939	90,114	90,236
United States	99,163	34,564	53,001
France	17,621	19,288	19,288
Italy	15,606	13,177	17,306
Germany	7,184	4,381	4,381
Poland	2,575	-	-
Rest of world	12,325	12,003	13,988
Inter-segmental	(1,424)	(608)	(730)
Total	253,989	172,919	197,470

3. Discontinued activities

	Actual 2000			Actual 1999		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	236,027	17,962	253,989	166,021	6,898	172,919
Cost of sales	(170,483)	(26,356)	(196,839)	(108,590)	(6,217)	(114,807)
Gross profit	65,544	(8,394)	57,150	57,431	681	58,112
Distribution expenses	(14,121)	(1,302)	(15,423)	(8,189)	(77)	(8,266)
Administration expenses	(86,218)	(4,974)	(91,192)	(43,003)	(1,519)	(44,522)
Operating profit	(34,795)	(14,670)	(49,465)	6,239	(915)	5,324

The effect of the discontinued operations on the 1999 pro forma profit and loss is as shown above for the actual 1999 profit and loss.

4. (Loss)/profit on ordinary activities before taxation

	Actual 2000 £'000	Restated Actual 1999 £'000	Restated Pro forma 1999 £'000
(Loss)/profit before taxation is stated after charging/(crediting):			
Staff costs (note 5)	62,331	34,449	39,584
Depreciation of owned assets (note 10)	2,669	1,777	2,109
Amortisation of intangible assets (note 9)	26,744	16,795	24,814
Impairment of intangible assets (note 9)	19,483	-	-
Amortisation of associated undertakings goodwill (note 11)	749	-	-
Hire of machinery and equipment	868	640	700
Other operating lease rentals	3,573	1,994	2,032
Net exchange differences on foreign currency borrowings less deposits	72	752	752
Loss/(profit) on disposal of fixed asset investments (note 11, 12)	117	(1,962)	(10,895)

Fees paid to auditors

	Actual 2000 £'000	Actual 1999 £'000
Statutory audit	203	168
Fees in respect of the flotation of the Company	-	2,059
Acquisition support	98	801
Taxation and other services	574	200

The audit fee for the Company included within the Group fee was £50,000 (1999: £31,000).

5. Employees and Directors

	Actual 2000 £'000	Actual 1999 £'000	Pro forma 1999 £'000
Staff costs			
Wages and salaries	52,418	29,281	33,667
Social security costs	9,165	4,522	5,270
Other pension costs (note 30)	748	646	647
	62,331	34,449	39,584
Average monthly number of people (including executive Directors)			
Production	1,368	984	994
Administration	460	342	344
Total	1,828	1,326	1,338

Details of the Directors' remuneration and interests are provided within the Remuneration Committee report on pages 29 to 32. The highest paid Director during the year was Greg Ingham and details of his remuneration are shown on page 30. These disclosures form part of the accounts.

6. Net interest payable and similar charges

	Actual 2000 £'000	Actual 1999 £'000	Pro forma 1999 £'000
Interest payable on bank loans and overdrafts	4,587	3,620	2,017
Amortisation of issue costs of bank loan	173	2,696	94
Interest payable on other loans	549	4,462	1,060
Amortisation of discount arising on fair valuing of deferred consideration	130	550	150
Total interest payable and similar charges	5,439	11,328	3,321
Interest receivable	(730)	(516)	(523)
Net interest payable and similar items	4,709	10,812	2,798

7. Tax on loss on ordinary activities

	Actual 2000 £'000	Restated Actual 1999 £'000	Restated Pro forma 1999 £'000
UK			
Current corporation tax at 30% (1999: 30.25%)	1,437	2,411	4,690
Overseas			
Current tax	(6)	271	915
Deferred tax (see note 18)	42	432	808
	1,473	3,114	6,413

The Group made a loss before tax of £59,293,000 (1999 restated: £3,526,000) and has a tax charge of £1,473,000 (1999 restated: charge £3,114,000) for the year. Eliminating the impact of amortisation and impairment of goodwill which has no impact on taxation, the loss before tax was £12,317,000 (1999 restated: profit £13,269,000) providing a negative effective tax rate of 12.1% (1999 restated: positive effective tax rate of 23.5%). The principal reasons for the difference between the actual effective rate and the UK standard rate of 30% in 2000 is the overseas tax losses arising in the year which are not available for offset against taxable profits arising in the UK. The comparative figures have been restated for the effects of the accounting irregularity in France as detailed in note 1.

8. Earnings per share

Basic earnings per share are calculated using the weighted average number of Ordinary shares outstanding during the period. Diluted earnings per share have been calculated by taking into account the dilutive effect of shares that would be issued on conversion into Ordinary shares of options held under employee share schemes.

	Actual 2000	Restated Actual 1999	Restated Pro forma 1999
Weighted average number of shares outstanding during the period:			
– basic	142,372,731	101,965,968	138,105,284
– dilutive effect of share options	7,553,962	10,514,893	12,972,364
– diluted	149,929,693	112,480,861	151,077,648
Basic loss per share (in pence)	(42.68)	(6.51)	(2.09)
Adjusted basic (loss)/earnings per share (in pence)	(9.69)	9.96	15.88
Diluted loss per share (in pence)*	(42.68)	(6.51)	(2.09)
Adjusted diluted (loss)/earnings per share (in pence)*	(9.69)	9.03	14.51
The adjustments to profit have the following effects on EPS:			
Basic loss per share (in pence)	(42.68)	(6.51)	(2.09)
Amortisation and impairment of intangible assets	32.99	16.47	17.97
Adjusted basic (loss)/earnings per share (in pence)	(9.69)	9.96	15.88
Diluted loss per share (in pence)	(42.68)	(6.51)	(2.09)
Amortisation and impairment of intangible assets	32.99	15.54	16.60
Adjusted diluted (loss)/earnings per share (in pence)	(9.69)	9.03	14.51

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

9. Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 January 2000	314,050
Exchange adjustment	682
Goodwill arising on acquisition of subsidiary	2,228
Goodwill arising on acquisition of businesses	4,952
At 31 December 2000	321,912
Amortisation	
At 1 January 2000	(21,487)
Exchange differences	(423)
Charge for the year	(26,744)
Impairment write down	(19,483)
At 31 December 2000	(68,137)
Net book amount at 31 December 2000	253,775
Net book amount at 31 December 1999	292,563

The goodwill arising on acquisitions is being amortised on a straight line basis over their estimated useful economic lives, being in the range one to 20 years. These periods are the periods over which the Directors estimate that the values of the underlying businesses acquired are expected to exceed the values of the underlying assets.

The Directors have performed impairment reviews on the carrying value of goodwill arising from acquisitions, which took place in 1999 and relating to Future France SA. In performing these calculations the Directors applied a pre-tax discount rate of 14% to forecast pre-tax operating cash flows with the growth rates used not exceeding 2.25% after five years. The results of the reviews are explained below:

(i) In respect of the acquisition by Future Verlag GmbH of the shares of Weka Consumer Median 'WCM' and the assets relating to the Consumer Media business division of WCM's parent company, WEKA Firmengruppe GmbH and Co. KG the Directors have made a provision against the entire remaining balance of goodwill at 31 December 2000.

(ii) In respect of the acquisition by Future Publishing Limited of the trade and assets of certain titles from Zone Limited the Directors have made a provision to reduce the net book value to the extent that the goodwill has been impaired.

(iii) In respect of the acquisition by Future Publishing Limited of the trade and assets of Future Music in the Netherlands from Media Minded CV the Directors have made a provision against the entire remaining balance of goodwill at 31 December 2000.

(iv) In respect of the acquisition by Future Publishing Holdings Limited of Future France SA (formerly known as Edicorp Publications SA) the Directors have made a provision to reduce the net book value to the extent that the goodwill has been impaired.

10. Tangible fixed assets

Group	Land and buildings £'000	Plant and machinery £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2000	1,874	4,898	1,704	8,476
Reclassification	-	(105)	105	-
Exchange adjustments	25	(283)	48	(210)
Acquisitions	-	25	6	31
Additions	968	3,903	935	5,806
Disposals	-	(620)	(15)	(635)
At 31 December 2000	2,867	7,818	2,783	13,468
Depreciation				
At 1 January 2000	(105)	(1,902)	(394)	(2,401)
Reclassification	-	16	(16)	-
Exchange adjustments	(8)	357	(12)	337
Charge for the year	(224)	(1,909)	(536)	(2,669)
Disposals	-	558	1	559
At 31 December 2000	(337)	(2,880)	(957)	(4,174)
Net book value at 31 December 2000	2,530	4,938	1,826	9,294
Net book value at 31 December 1999	1,769	2,996	1,310	6,075

	Group 2000 £'000	Group 1999 £'000
Analysis of net book value of land and buildings		
Freehold	384	390
Leasehold:		
Over 50 years unexpired	1,939	1,168
Short term lease	207	211
Total	2,530	1,769

Company	Plant and machinery £'000
Cost	
At 1 January 2000	-
Additions	40
At 31 December 2000	40
Depreciation	
At 1 January 2000	-
Charge for the year	(3)
At 31 December 2000	(3)
Net book value at 31 December 2000	37
Net book value at 31 December 1999	-

Notes to the financial statements

11. Investments

		2000	1999
Group		£'000	£'000
Interests in Associates at cost			
At 1 January	- net assets	-	-
	- goodwill	-	-
Additions	- net assets	1,301	-
	- goodwill	5,476	-
Disposals	- net assets	(1,383)	-
At 31 December	- net liabilities	(82)	-
	- goodwill	5,476	-
		5,394	-
Amortisation of goodwill			
At 1 January		-	-
Exchange difference		(11)	-
Charge for year		(749)	-
At 31 December		(760)	-
Net book amount at 31 December - Net liabilities		(82)	-
	- Goodwill	4,716	-
		4,634	-
Other Investments at cost			
At 1 January		2,445	-
Exchange differences		175	(183)
At acquisition		-	11,383
Additions in year		3,003	1,651
Disposals		-	(9,366)
Transfer to current assets		-	(1,040)
Write down of investments		(4,552)	-
At 31 December		1,071	2,445
Total fixed asset investments		5,705	2,445

Company

	Group 2000 £'000	Group 1999 £'000
Shares in Group undertakings at cost		
At 1 January	43,315	-
Additions in year	147	43,315
At 31 December	43,462	43,315

The market value of the Group's investment in Snowball.com, Inc. is £174,000. Given the uncertain future for Internet businesses we have fully provided against this investment.

Associated undertakings During the year Imagine Media, Inc. made the following investments in associated undertakings:

(i) £1,383,000 was invested to acquire 49% of the share capital of SeeMeBuyMe, a company registered in Delaware, USA. The company ceased to trade on 26 September 2000, and the Group's share of the losses was £450,000. The loss on disposal of the investment was £515,000, which increased the losses of Imagine Media, Inc.

(ii) £5,313,000 was invested to acquire 49% of the share capital of TED Conferences LLC a company registered in California, USA. The goodwill arising on this acquisition was £5,476,000 and the Group's share of net liabilities and profits at 31 December 2000 was £82,000 and £nil respectively. The consideration for the acquisition was made up of £3,990,000 in cash and £1,323,000 in new shares issued. In addition, Imagine Media, Inc. has a commitment to purchase the remaining 51% as described in note 31.

Other investments The Group has an investment in Iconocast, Inc., a company incorporated in the USA, and, FYI Limited, a company incorporated in the United Kingdom in which the Group holds 24.9% and 30% respectively of the Ordinary share capital. These investments were accounted for as fixed asset investments. The Group's interests have not been treated as associated undertakings as the companies are controlled by their majority shareholders and, in the opinion of the Directors, the Group does not, at present, exercise significant influence over their operations. The value of the investments have been fully written down in the results for the year.

The Group has a number of investments in Internet related businesses, in light of the lower valuations given to Internet based businesses generally, the Group has found it necessary to write down its fixed asset investments by £4,552,000.

12. Current asset investments

	Group 2000 £'000
Listed investments	
At 1 January 2000	1,040
Exchange differences	69
Disposals	(1,109)
At 31 December 2000	-

At 31 December 1999 the investment in America Online, Inc. was transferred from fixed asset investments to current asset investments due to its impending sale. During the year the Group disposed of its shareholding in America Online, Inc. realising a profit of £398,000. There was no tax payable as a result of the disposal since tax losses have been utilised to offset the taxable gain arising.

13. Stocks

	Group 2000 £'000	Group 1999 £'000
Raw materials	5,072	3,225
Work in progress	3,192	1,470
Finished goods	514	1,177
	8,778	5,872

14. Debtors

	Group 2000 £'000	Company 2000 £'000	Restated Group 1999 £'000	Company 1999 £'000
Amounts falling due within one year:				
Trade debtors	50,644	-	41,242	-
Amounts owed by Group undertakings	-	182,902	-	173,711
Other debtors	1,656	2,941	1,646	1,361
Prepayments and accrued income	5,094	15	3,829	13
Corporation tax recoverable (note 1)	1,231	-	1,214	-
	58,625	185,858	47,931	175,085
Amounts falling due after one year:				
Other debtors	2,009	-	218	-
	60,634	185,858	48,149	175,085

Group's trade debtors as at 31 December 1999 has been increased by £1,247,000 to reflect the reclassification of discounted bills.

15. Creditors: amounts falling due within one year

	Group 2000 £'000	Company 2000 £'000	Restated Group 1999 £'000	Company 1999 £'000
Bank and other borrowings	31,504	30,893	7,093	5,846
Shareholder loan (note 32)	40	-	907	-
Trade creditors	29,080	-	23,084	-
Amounts owed to Group undertakings	-	13	-	2,089
Corporation tax	1,502	-	2,259	-
Other creditors including taxation and social security	7,414	6	4,816	154
Accruals and deferred income	32,207	2,413	23,503	590
Deferred consideration for acquisitions	551	-	5	-
	102,298	33,325	61,667	8,679

Group's bank and other borrowings at 31 December 1999 have been increased by £1,247,000 to reflect the reclassification of discounted bills.

16. Creditors: amounts falling due after more than one year

	Group 2000 £'000	Company 2000 £'000	Restated Group 1999 £'000	Company 1999 £'000
Bank and other borrowings	46,361	46,361	36,171	36,171
Shareholder loan (note 32)	1,836	-	1,653	-
Deferred consideration for acquisitions	1,699	-	2,086	-
	49,896	46,361	39,910	36,171

17. Bank and other borrowings

	Group 2000 £'000	Company 2000 £'000	Restated Group 1999 £'000	Company 1999 £'000
(i) Due within one year				
Bank loans				
Secured	30,893	30,893	5,846	5,846
Unsecured	611	-	1,247	-
Shareholder loan: unsecured (note 32)	40	-	907	-
Total	31,544	30,893	8,000	5,846
(ii) Due after more than one year				
Bank loans: Secured	46,361	46,361	36,171	36,171
Shareholder loan: Unsecured (note 32)	1,836	-	1,653	-
Total	48,197	46,361	37,824	36,171

The bank loans are secured by a fixed charge over The Future Network plc, Future Publishing Holdings Limited, and Future Publishing Limited's land and buildings, intellectual property and goodwill and a floating charge over the remainder of their assets.

The Company incurred total issue and facility costs in 1999 of £1,216,000 in respect of the post flotation bank loans of which facility costs of £687,000 were written off immediately to the profit and loss account in 1999.

The remainder of the costs are being charged to the profit and loss account over the term of the facilities at a constant rate on the carrying amount. The amounts are stated net of unamortised issue costs of £277,000 (1999: £433,000).

The unsecured borrowings are discounted bills held by the Group.

Further details of the Group's borrowings are given in note 23 to the accounts.

18. Provisions for liabilities and charges

Group	Deferred tax £'000	Employer taxes on options and share related benefits £'000	Other £'000	Total £'000
At 1 January 2000	417	1,228	559	2,204
Prior year adjustment	-	(650)	-	(650)
1 January 2000 as restated	417	578	559	1,554
Exchange adjustments	7	28	23	58
Transfer (to)/from profit and loss account in the period	42	(444)	325	(77)
Utilised in year	-	(101)	(229)	(330)
At 31 December 2000	466	61	678	1,205

Company	Deferred tax £'000	Employer taxes on options and share related benefits £'000	Other £'000	Total £'000
At 1 January 2000	-	110	-	110
Prior year adjustment	-	(78)	-	(78)
1 January 2000 as restated	-	32	-	32
Transfer to profit and loss account	-	(32)	-	(32)
At 31 December 2000	-	-	-	-

	Group 2000 £'000	Group 1999 £'000
Deferred tax		
Provision for deferred tax comprises:		
Other at 31 December 2000	466	417

The provided amounts of deferred taxation relate to short term timing differences at 31 December which will reverse in the forthcoming year.

The unprovided amounts of deferred taxation assets are as follows:

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Accelerated capital allowances	206	-	221	-
Other	10,983	-	4,533	33
	11,189	-	4,754	33

Other deferred tax assets not provided include £8,065,000 (1999: £2,009,000) in respect of overseas tax losses carried forward and the balance is in respect of other short term timing differences which are unlikely to be utilised in the foreseeable future.

No provision has been made for deferred tax in respect of unremitted overseas earnings as management has no current intention to repatriate them, nor for any capital gains which might arise on the disposal of properties at their balance sheet amounts, since there is no current intention to dispose of the properties.

Employer taxes on options and share related benefits

The provision reflects the requirements of UITF 25: 'National Insurance on share option gains' and provides for the employer taxes on share options and share related benefits over the performance period of the options. The provision will be utilised within four years.

Other

Other provisions comprise an amount of £169,000 (1999: £309,000) to provide advertising in certain magazines and on websites published by the Group in return for a warrant to purchase stock in unlisted companies. The provision will be utilised within 12 months.

An amount of £178,000 in respect of a severance indemnity for employees in Italy. This indemnity only becomes payable upon the departure of employees. The provision will therefore be utilised over the period of departure.

A provision of £250,000 in respect of two short leasehold properties no longer occupied by the Group. The provision represents the best estimate of the discounted future net cash outflow being the net shortfall on each of the two leases. The leases expire in June 2012 and December 2015.

19. Cash flow from operating activities

The reconciliation of operating profit to net cash inflow from operating activities is as follows:

	Group 2000 £'000	Restated Group 1999 £'000
Continuing operations		
Operating (loss)/profit	(49,465)	5,324
Depreciation charge	2,669	1,777
Goodwill amortisation and impairment	46,976	16,795
(Increase)/decrease in stocks	(2,629)	343
(Increase) in debtors	(10,880)	(11,778)
Increase in creditors	11,702	2,720
Net cash (outflow)/inflow from operating activities	(1,627)	15,181

Included in the net cash outflow from operating activities above is an amount of £662,000 in respect of acquisitions during 2000.

20. Analysis of net debt

	Restated At 1 January 2000 £'000	Cash inflow/ (outflow) £'000	Exchange movements £'000	Other non cash changes £'000	At 31 December 2000 £'000
Cash at bank and in hand	18,940	(8,597)	437	-	10,780
Debt due after one year	(37,824)	(10,154)	(63)	(156)	(48,197)
Debt due within one year	(8,000)	(23,535)	(9)	-	(31,544)
	(26,884)	(42,286)	365	(156)	(68,961)

Other non cash changes are the amortisation of bank finance costs.

21. Reconciliation of movement in net debt

	2000 £'000	Restated 1999 £'000
Net debt at 1 January	(26,884)	(125,175)
(Decrease)/increase in cash	(8,597)	11,954
Borrowings net of short term deposits acquired with subsidiaries	-	(6,256)
Movement in borrowings	(33,845)	90,685
Movement in liquid resources	-	(1,000)
Interest capitalised in 1998 and subsequently waived during 1999	-	690
Unamortised debt issue costs	-	(1,094)
Exchange movements	365	3,312
Net debt at 31 December	(68,961)	(26,884)

22. Major non cash transactions

The following major non cash transactions occurred during the year:

(a) During the year, 76,107 units in an 'Imagine Media Supplemental Bonus Plan', with a value at 31 December 2000 of £211,000, reverted to the Group on the departure of eligible employees. Further details are given in note 32.

(b) £1,323,000 of the consideration for TED Conferences LLC was satisfied by the issue of 158,277 shares.

23. Financial instruments

(a) Treasury overview

The Group uses financial instruments to raise funding for its operations and to manage the financial risks arising from those operations. The agreements governing the principal instruments entered into were approved by the Board.

At the year end, the Group's principal financial liabilities comprised £77,254,000 (1999: £42,017,000) borrowed under committed bank term loan and revolving multi-currency facilities, £1,876,000 (1999: £2,560,000) in respect of a loan made by Chris Anderson to Imagine Media, Inc. prior to the Company acquiring Imagine Media, Inc. £2,250,000 (1999: £2,091,000) deferred consideration payable for acquisitions and £250,000 (1999: £250,000) for the net shortfall on property leases. The Group also has discounted bills at the year end of £611,000 (1999: £1,247,000). (Further details of the loan made by Chris Anderson are set out in note 32.)

At the year end the Group had a further £428,000 (1999: £44,411,000) of undrawn committed facilities subject to certain covenants. As explained in the Finance Director's Report, since the year end the Group has renegotiated the terms of its main facility with its principal bankers. Under the restated facility the amount of the undrawn committed facilities would have been £7,326,000. This facility is expected to provide sufficient flexibility for working capital for its present requirements for the foreseeable future.

The Directors have considered the principal risks arising from the Group's financial instruments and have mitigated them as follows:

Credit risk The Group has a number of authorised counterparties with whom cash balances are held in the countries in which the Group operates. The Group's aim to minimise credit risk is achieved by considering the credit standing of potential bankers before selecting them.

Liquidity risk The aim of the Group's liquidity policy is to provide flexibility. Approximately 50% of the net debt at the end of the year was in the form of term debt repayable in instalments over the next four years with the balance in the form of drawdowns on revolving credit facilities. Under the terms of the restated facility the total debt is in the form of drawdowns on revolving credit facilities expiring within two years. This structure will provide flexibility over the next 18 months during which period the funding requirements of the Group will be reviewed.

Market price risk The Group holds its investments for the long term rather than for short term speculation. Details of fixed asset investments and adjustments made to their carrying values are set out in note 11. Current assets investments held at 31 December 1999, were acquired as part of the Imagine Media, Inc. acquisition and were required to be held until May 2000. These investments were disposed of during the year. (Further details on the disposal of these current asset investments can be found in note 12.)

Interest rate risk The Group is exposed to fluctuations in interest rates on its borrowings and surplus cash and operates a policy designed to reduce this risk by maintaining a balance of fixed and floating rate debt. As the Group's borrowings are principally denominated in Sterling, arrangements during the year have been designed to fix a minimum amount equal to the lower of 75% of gross Sterling term debt or 50% of the total debt any point in time by means of interest rate swaps. At the year end 56% of the total debt is fixed until December 2002.

Currency risk A significant and growing proportion of the Group's activities are carried out in countries outside the United Kingdom where transactions are carried out in that country's own functional currency. Movements in exchange rates can therefore have a significant impact on the Group's total cash flows, whilst the translation of the results, assets and liabilities of foreign subsidiaries into Sterling can have a significant effect on the Group's reported profits and balance sheet. The main exposures are to movements in the US\$ and Euro against Sterling. The Group's policy is to hedge against foreign currency cash flows by arranging its indebtedness in a mixture of currencies.

Exchange differences arising from the retranslation of the overseas net assets are shown as movements in reserves and are in the statement of total recognised gains or losses. Other exchange differences arising principally from the translation of funding loans to subsidiary companies are taken to the profit and loss account.

(b) Short-term debtors and creditors

Trading short-term debtors and creditors have been excluded from all the following disclosures, other than the currency profile of monetary assets and liabilities (table (g)).

23. Financial instruments continued

(c) Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2000, after taking into account the effect of interest rate swaps, was:

Currency	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000
Sterling	68,973	24,973	44,000
US Dollars	5,894	4,018	1,876
Euro	7,374	7,374	-
At 31 December 2000	82,241	36,365	45,876
Currency			
Sterling	37,859	10,859	27,000
US Dollars	2,560	-	2,560
Euro	7,746	7,746	-
At 31 December 1999 - restated	48,165	18,605	29,560

The floating rate financial liabilities comprise bank borrowings, and deferred consideration, of which the bank borrowings bear interest at rates fixed in advance for period of between one and six months by reference to LIBOR (in the case of Sterling and US Dollar borrowings) and EURIBOR (in the case of liabilities denominated in currencies linked to the Euro) plus a margin of between 0.85% and 3.15%.

Under the terms of the restated facility the existing bank borrowings bear interest at rates fixed in advance for a period of between one and three months by reference to LIBOR (in the case of Sterling and US Dollar borrowings) and EURIBOR (in the case of liabilities denominated in currencies linked to the Euro) plus a margin of 3.15%. New borrowings will bear interest at rates fixed in advance for a period of between one and three months by reference to LIBOR (in the case of Sterling and US Dollar borrowings) and EURIBOR (in the case of liabilities denominated in currencies linked to the Euro) plus a margin of 3.15% and 6%.

The deferred consideration in respect of the Italian and German acquisitions have been discounted at a rate linked to EURIBOR.

Floating rate financial liabilities also include provisions for onerous leases (see note 18) which are discounted at rates in line with the Group's cost of capital and discounted bills which bear interest at rates linked to EURIBOR.

The shareholder loan, which is denominated in US Dollars, bears interest at 7% per annum.

Fixed rate financial liabilities

Currency	Weighted average interest rate %	Weighted average period for which rate is fixed Years
Financial liabilities		
- Sterling	5.97	2
- US Dollars	7.00	2

The US Dollar liability represents the shareholder loan from Chris Anderson, which is repayable when employee share options vest, details of which are set out in note 32. The weighted average period until maturity and the maturity of debt are based on the earliest period, on which the options are capable of vesting, being the best estimate of this information.

23. Financial instruments continued

(d) Interest rate risk profile of financial assets

The Group's financial assets, as defined by FRS13: Derivatives and other financial instruments – disclosures, comprise cash and fixed asset investments held by Group companies at 31 December 2000. Their interest rate profile at 31 December 2000 was:

	2000			1999			
Currency	Cash at bank and in hand £'000	Fixed asset investments £'000	Total £'000	Cash at bank and in hand £'000	Current asset investments £'000	Fixed asset investments £'000	Total £'000
Sterling	7,461	-	7,461	13,099	-	42	13,141
US Dollars	866	1,071	1,937	1,050	1,040	2,403	4,493
Euro	1,468	-	1,468	4,791	-	-	4,791
Other	985	-	985	-	-	-	-
At 31 December	10,780	1,071	11,851	18,940	1,040	2,445	22,425
Non interest bearing	1,808	1,071	2,879	1,550	1,040	2,445	5,035
Floating rate	4,772	-	4,772	17,390	-	-	17,390
Fixed rate	4,200	-	4,200	-	-	-	-
At 31 December	10,780	1,071	11,851	18,940	1,040	2,445	22,425

No weighted average information has been disclosed for the non-interest bearing assets above as they have no maturity dates. The floating rate assets bear interest at rates by reference to LIBID or local equivalent. The fixed rate cash at bank and in hand represents monies on overnight deposit at a rate of 4%.

Current asset investments at 31 December 2000 were £nil as detailed in note 12.

Details of the fixed asset investments are set out in note 11.

(e) Maturity analysis of financial liabilities

The maturity profile of the carrying value of the Group's financial liabilities at 31 December 2000 was as follows:

	Debt £'000	Deferred consideration £'000	Other financial liabilities £'000	2000 Total £'000	Restated Debt £'000	Deferred consideration £'000	Other financial liabilities £'000	1999 Restated Total £'000
Within one year, or on demand	31,523	551	24	32,098	8,000	5	24	8,029
Between one and two years	13,218	571	35	13,824	8,176	940	35	9,151
Between two and five years	35,000	1,128	68	36,196	29,648	1,146	68	30,862
Over five years	-	-	123	123	-	-	123	123
	79,741	2,250	250	82,241	45,824	2,091	250	48,165

The Group's bank borrowings of £77,531,000 (gross of unamortised issue costs of £277,000) was repayable in tranches over the next four years. Under the terms of the restated facility the borrowings are repayable within two years.

Deferred consideration of £2,505,000 (gross of unamortised discount arising from fair valuing of the deferred consideration) is repayable over the next four years.

The maturity profile of the Company's bank borrowings is as follows:

	2000 Debt £'000	Restated 1999 Debt £'000
Within one year, or on demand	31,629	1,247
Between one and two years	11,513	6,000
Between two and five years	35,000	8,000
Over five years	-	28,450
	78,142	43,697

23. Financial instruments continued

(f) Maturity analysis of undrawn committed borrowing facilities

The maturity profile of those elements of the Group's committed borrowing facilities, all of which are at floating rates, and were, undrawn at 31 December 2000 is:

	Total 2000 £'000	Total 1999 £'000
Expiring within one year	-	19,062
Expiring between one and two years	-	-
Expiring in more than two years	428	25,349
	428	44,411

The amounts shown above are those that would be available after taking into account covenants given in respect of the Group's financial condition. Availability of these funds is subject to covenants to be met at the time of drawdown and maintained until repayment.

(g) Currency risk disclosure

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group companies and the Group.

Net foreign currency monetary assets/(liabilities)	Sterling £'000	US Dollars £'000	Euro £'000	Other currencies £'000	Total £'000
2000					
Functional currency of Group operation:					
Sterling	-	5,039	12,958	1,339	19,336
US Dollars	(219)	-	-	(2)	(221)
Euro	(1,749)	(9)	-	419	(1,339)
Other	(59)	(13)	(219)	-	(291)
Total	(2,027)	5,017	12,739	1,756	17,485
1999					
Sterling	-	(7,725)	2,783	131	(4,811)
Euro	(3,147)	-	-	-	(3,147)
Total	(3,147)	(7,725)	2,783	131	(7,958)

(h) Fair values of financial assets and liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2000. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values.

	2000 Book value £'000	2000 Fair value £'000	Restated 1999 Book value £'000	Restated 1999 Fair value £'000
Primary financial instruments held or issued to finance the Group's operations				
Assets:				
Fixed asset investments	1,071	1,071	2,445	3,037
Current asset investments	-	-	1,040	1,902
Cash at bank and in hand	10,780	10,780	18,940	18,940
Liabilities:				
Debt	79,741	79,741	46,257	46,257
Deferred consideration	2,250	2,250	2,091	2,091
Other financial liabilities	250	250	250	250
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	-	(839)	-	15

Long-term borrowings at book value are shown above gross of £277,000 unamortised issue costs (1999: £433,000).

The fair value of the fixed and current asset investments reflects the market value of the shares at the balance sheet date.

23. Financial instruments continued

(i) Hedges

As explained in the notes above, the Group's policy is to hedge the exposure on the Sterling term debt using interest rate swaps. The table below shows the extent to which the Group has off balance sheet (unrecognised) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amounts of gains and losses which have been included in the profit and loss account for the year and the extent to which they will be included in next years or later profit and loss accounts.

	Gains £'000	Losses £'000	Unrecognised total net gains/(losses) £'000
Unrecognised gains and losses on hedges at 1 January 2000	15	-	15
Arising in previous years included in 2000 as income as ceased to be a hedge	-	-	-
Arising before 1 January 2000 that were not recognised in the financial year	15	-	15
Unrecognised gains and losses during the financial year	(15)	(839)	(854)
Unrecognised losses on hedges at 31 December 2000, all of which are expected to be recognised after one year	-	(839)	(839)

24. Called up share capital

	2000 £'000	1999 £'000
Authorised share capital		
250,000,000 Ordinary shares of 1p each (1999: 200,000,000)	2,500	2,000
Allotted, issued and fully paid		
142,954,916 Ordinary shares of 1p each (1999: 141,329,137)	1,430	1,413

On 21 June 2000 at the Annual General Meeting of the Company, a resolution was passed to increase the authorised share capital of the Company to 250,000,000 Ordinary Shares of 1p each.

On 25 July 2000 158,227 Ordinary shares of 1p each were issued to settle a £1,323,000 loan note relating to the purchase a 49% interest in TED Conferences LLC. Further details of this transaction are set out in note 11.

Between 1 January and 31 December 2000 1,467,552 Ordinary shares were issued by the Company for a cash commitment of £552,835 pursuant to the exercise of share options granted as detailed in note 25.

25. Share options

The Future Network plc operates nine share option schemes being:

- The Future Publishing Holdings Limited Unapproved Share Option Plan ('Future Publishing Holdings Plan')
- The Future Network Option Plan for Imagine employees ('the 1999 Plan')
- The Future Network plc 1999 International Share Option Scheme (the 'International Unapproved Scheme')
- The Future Network plc 1999 Senior Management Scheme ('Senior Scheme')
- The Future Network plc 1999 Approved International Share Option Scheme ('the International Approved Scheme')
- The Future Network plc 1999 Save as You Earn Scheme
- The Future Network plc 2000 US Stock Option Plan ('the US Plan')
- The Future Network plc 1999 Approved Save As You Earn Scheme ('the SAYE scheme')
- The Future Network plc Employee Benefit Trust

As at 31 December 2000, options had been granted under seven of those schemes, being the Future Publishing Holdings Plan, the Senior Scheme, the International Unapproved Scheme, the International Approved Scheme, the 1999 Plan, the US Plan, and the SAYE scheme. No options had been granted under the remaining schemes.

The Future Publishing Holdings Plan

The Future Publishing Holdings Plan was provided to grant options to employees who were employed by the Future Publishing Holdings Limited and its subsidiaries. Since Listing of the Company, no new options have been granted under this plan. Save in respect of options over 223,561 Ordinary shares, there are no performance criteria which apply to options granted under this plan. The options over 223,561 Ordinary shares relate to one employee and are subject to performance criteria which provide for vesting over a three year period dependent on achieving certain targets relating to advertising revenue.

The 1999 Plan

Under the Imagine Media, Inc. Acquisition Agreement in June 1999 stock option and stock appreciation rights holders' interests in Imagine Capital were converted into new options under a new stock option plan ('the 1999 Plan'). All options and stock appreciation rights to purchase shares in the common stock of Imagine were converted automatically (subject to certain conditions) into options to purchase Ordinary shares in The Future Network plc, and the Company has assumed all obligations subject to the 1999 Plan. Conversion was essentially on the same terms and conditions as those prescribed under the original plans, including vesting criteria.

25. Share options continued**The International Unapproved Scheme**

The International Unapproved Scheme is used for the grant of options to all save for those persons entitled to participate in the Senior Scheme. Options granted under this scheme vest in eight equal tranches, one tranche every six months following publication of the annual and interim results of the Group, depending on the satisfaction of performance criteria that requires the normalised earnings per share of the Group to grow by at least 3% per annum above the increase in the Retail Prices Index over the relevant period. As discussed on page 31 of the Remuneration Report, this performance has been waived for the year ended 31 December 2000.

The Senior Scheme

Details of the Senior Scheme, which is available only to Directors and senior managers of the Group, are set out in the Remuneration Committee Report on pages 29 to 32.

The International Approved Scheme

The International Approved Scheme is used for the grant of options to all UK employees, save for those persons entitled to participate in the Senior Scheme. Options granted under this scheme vest in eight equal tranches, one tranche every six months following publication of the annual and interim results of the Group, depending on the satisfaction of performance criteria that requires the normalised earnings per share of the Group to grow by at least 3% per annum above the increase in the Retail Prices Index over the relevant period. As discussed on page 31 of the Remuneration Report, this performance has been waived for the year ended 31 December 2000.

The US Plan

The US Plan, which was adopted at the Company's first Annual General Meeting held on 21 June 2000, is used for the grant of options to employees of the Company's US businesses, save for those persons entitled to participate in the Senior Scheme.

Options granted under the US Plan typically vest as to 25% of the shares under option on the first anniversary of an employee joining (or, where options are granted under the US Plan to an existing employee, on the anniversary of the grant of such options).

The balance of 75% will vest in equal monthly tranches over the three year period commencing on the first vesting date. Whilst the Company has the right to impose performance conditions, it remains the Company's intention that options granted under the US Plan will not be subject to performance criteria. The Board's view is that it is unusual for options granted by US competitors to their US employees to contain such criteria.

The SAYE Scheme

The Board exercised its discretion in September 2000 to issue invitations to participate in the Company's Save As You Earn Scheme to eligible employees across the Group (save where regulatory or legal requirements prohibited such invitation from being made).

The option entitlement then granted to participating employees is linked to the monthly contributions which such employees have agreed to pay into the Plan (up to a maximum amount of £250 per month). The options granted under the Save As You Earn Scheme vest on the third anniversary of the grant of such options (or in the case of US employees, due to legal constraints, two years after the date of grant of such options). Where legal and regulatory constraints permit, the Company uses its discretion to offer options granted under the Save As You Earn scheme at a discount to the market price in force at the date of the invitation being made.

25. Share Options continued

The following options and conditional awards over Ordinary shares have been granted and are outstanding at 31 December 2000:

Future Publishing Holdings Plan

Date of grant	Earliest date exercisable	Option exercise price (pence)	Outstanding at 31 December 1999	Granted	Exercised during the year	Lapsed or cancelled	Outstanding at 31 December 2000
24.07.98 to 15.12.98	25.06.99 to 01.04.03	3p	2,608,016	-	(741,367)	(209,164)	1,657,485
01.04.99	25.06.99 to 01.04.03	23p	1,180,144	-	(333,965)	(66,004)	780,175
Totals			3,788,160	-	(1,075,332)	(275,168)	2,437,660

The 1999 Plan

Date of grant	Earliest date exercisable	Option exercise price (pence)	Outstanding at 31 December 1999	Granted	Exercised during the year	Lapsed or cancelled	Outstanding at 31 December 2000
25.06.99	25.06.99 to 25.06.04	Between 1p and US\$9	4,716,563	-	(341,256)	-	4,375,307
Totals			4,716,563	-	(341,256)	-	4,375,307

The International Unapproved Scheme

Date of grant	Earliest date exercisable	Option exercise price (pence)	Outstanding at 31 December 1999	Granted	Exercised during the year	Lapsed or cancelled	Outstanding at 31 December 2000
25.06.99	20.03.00 to 20.03.03	385p	1,269,255	-	(50,964)	(210,413)	1,007,878
30.09.99	09.00 to 03.04	US\$10.35	41,961	-	-	(12,510)	29,451
29.10.99	09.00 to 03.04	US\$11.70	15,864	-	-	(5,351)	10,513
30.11.99	09.00 to 03.04	US\$12.94	114,035	-	-	(2,566)	111,469
31.12.99	09.00 to 03.04	US\$13.766	15,305	-	-	(509)	14,796
31.01.00	03.01 to 03.05	US\$13.638	-	18,685	-	-	18,685
20.04.00	03.01 to 03.05	729p-814p	-	96,182	-	(10,939)	85,243
Totals			1,456,420	114,867	(50,964)	(242,288)	1,278,035

Senior Scheme

Date of grant	Earliest date exercisable	Option exercise price (pence)	Outstanding at 31 December 1999	Granted	Exercised during the year	Lapsed or cancelled	Outstanding at 31 December 2000
25.06.99	25.06.02 to 25.06.09	385p	841,125	-	-	(129,870)	711,255
Totals			841,125	-	-	(129,870)	711,255

25. Share Options continued
The International Approved Scheme

Date of grant	Earliest date exercisable	Option exercise price (pence)	Outstanding at 31 December 1999	Granted	Exercised during the year	Lapsed or cancelled	Outstanding at 31 December 2000
20.4.00	03.01 to 03.04	729p	-	166,989	-	(41,862)	125,127
Totals				166,989	-	(41,862)	125,127

The US Plan

Date of grant	Earliest date exercisable	Option exercise price (pence)	Outstanding at 31 December 1999	Granted	Exercised during the year	Lapsed or cancelled	Outstanding at 31 December 2000
01.07.00 to 01.12.00	01.07.01 to 01.07.04	US\$2.583 to US\$13.494	-	810,871	-	(122,539)	688,332
Totals			-	810,871	-	(122,539)	688,332

The SAYE Scheme

Date of grant	Earliest date exercisable	Option exercise price (pence)	Outstanding at 31 December 1999	Granted	Exercised during the year	Lapsed or cancelled	Outstanding at 31 December 2000
13.10.00	13.10.03	574p	-	200,067	-	(47,467)	152,600
Totals			-	200,067	-	(47,467)	152,600

The number of options outstanding at 31 December 2000 comprise:

	No. of Options
Options subject to performance criteria	2,328,195
Other options	7,440,121
At 31 December 2000	9,768,316

26. Share premium account

Group and Company	2000 £'000	1999 £'000
At 1 January	135,582	-
Premium on shares issued on Listing	-	145,920
Expenses on issue of shares on Listing	-	(11,492)
Refund of costs on issue of shares on Listing	378	-
Premium on shares issued during the year under share option schemes	539	1,096
Premium on issue of shares to acquire interest in associated undertaking	1,322	-
Premium on shares issued to warrant holders	-	58
At 31 December	137,821	135,582

27. Profit and loss account

	Group £'000	Company £'000
At 1 January 2000 (as previously reported)	(13,073)	(2,599)
Prior period adjustments (note 1)	(1,170)	78
At 1 January as restated	(14,243)	(2,521)
Net exchange adjustments	(42)	-
Transfer from other reserve	515	-
Adjustment for shares issued under share option schemes through share option trust	(112)	-
Loss for the financial year	(60,766)	(8,541)
At 31 December 2000 - deficit	(74,648)	(11,062)

The Directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and have not presented a profit and loss account for the Company alone.

28. Other reserves

	Group Merger reserve £'000	Group Other reserves £'000	Group Total £'000	Company Other reserves £'000
At 1 January 2000	109,015	40,186	149,201	39,810
Exchange differences on translation of overseas investments	-	(28)	(28)	-
Transfer to profit and loss reserve	-	(515)	(515)	-
Deferred consideration settled in cash rather than by issue of shares	-	(18,000)	(18,000)	(18,000)
Unrealised gain arising from the provision of advertising in exchange for warrants to acquire unlisted investments	-	95	95	-
Reversion of rights pertaining to investments from departing employees (see note 32)	-	211	211	-
At 31 December 2000	109,015	21,949	130,964	21,810

29. Acquisitions

During the year the Group made the following acquisitions:

On 6 January 2000 Future Publishing Limited acquired the trade and assets of certain titles from Dennis Publishing Ltd.

(i) On 7 April 2000 Future Publishing Limited acquired 100% of the share capital of CSL Media Limited.

(ii) On 17 April 2000 Future Publishing Limited acquired the trade of Reelscreen Ltd.

(iii) On 19 July 2000 Future Publishing Holdings Limited purchased the entire share capital of Silver Shark Sp z.o.o.

These transactions were all accounted for as acquisitions.

The aggregate provisional fair values of the net assets acquired at the dates of these acquisitions are shown below:

	Book value £'000	Adjustment £'000	Fair value £'000
Intangible fixed assets	1,646	(1,646) ¹	-
Tangible fixed assets	31	-	31
Stocks	523	-	523
Debtors	482	-	482
Creditors	(1,067)	(327) ²	(1,394)
Net assets acquired	1,615	(1,973)	(358)
Goodwill			7,180
Consideration			6,822
Consideration satisfied by:			
Cash			6,674
Associated costs			148
Total consideration			6,822

The fair value adjustments comprise:

¹ the elimination of goodwill held in the books of the acquired businesses.

² an accrual of £327,000 in respect of unrecorded liabilities prior to acquisition.

No adjustments to the fair value of the net assets relating to acquisitions in 1999 have been made during the year.

30. Pensions

The Group operates a defined contribution scheme for employees resident in the United Kingdom, and a Section 401(K) profit sharing defined contribution plan in respect of pensions, which covers substantially all Imagine employees. £748,000 (1999 restated: £646,000) contributions were made by the Group to these plans.

31. Commitments and contingent liabilities**(i) Operating lease commitments**

At 31 December 2000 the Group had annual commitments under non cancellable operating leases as set out below:

	Land and buildings £'000	Other £'000	2000 Total £'000	Land and buildings £'000	Other £'000	1999 Total £'000
Annual commitments under non-cancellable operating leases expiring:						
Within one year	357	262	619	742	284	1,026
Within two to five years	1,419	400	1,819	746	512	1,258
After five years	3,235	-	3,235	896	5	901
	5,011	662	5,673	2,384	801	3,185

(ii) Contingent liabilities

At 31 December 2000, the Company had contingent liabilities outstanding in respect of counter-indemnities £2,505,000 (1999: £3,111,000) and guarantees given by it to the Group's bankers in respect of amounts outstanding from its subsidiaries under the Group bank facility arrangements.

A number of trading subsidiaries are defendants in various legal actions. In the opinion of the Directors, after taking appropriate legal advice, the outcome that such actions would give rise to a significant loss is considered remote.

(iii) Capital commitments

Imagine Media, Inc. entered into an acquisition agreement with TED Conferences, Inc. ('TED') on 21 July 2000 to acquire 49% of the share capital of TED for a total consideration of £5,311,000. Further details of this acquisition are given in note 11.

The terms of the acquisition agreement include specific provisions relating to the acquisition of the remaining 51% interest in TED. Imagine Media, Inc. and the seller entered into a put and call option whereby at any time during the three year period after completion the seller can put the 51% onto Imagine for a consideration of £4,017,000; and Imagine can call the 51% at any time for a consideration of £8,035,000. At the end of the three year period following completion, if no option has been exercised, Imagine Media, Inc. has commitment to buy the 51% on the basis of a formula valuation where the total consideration payable is capped at £8,035,000.

32. Related party transactions

Transactions between Chris Anderson (the Executive Chairman of the Company), the Group and related parties.

(a) **The Imagine acquisition** Under the terms of the Imagine Acquisition Agreement (25 June 1999), the Company agreed to acquire the entire share capital of Imagine Media, Inc ('Imagine') (whether issued or to be issued) in exchange for the issue of 33,863,147 consideration shares in the capital of The Future Network plc.

To ensure that the Company received the full benefit of the goodwill of the business of Imagine, Chris Anderson undertook to be bound by certain restrictive covenants for a period of four years from 25 June 1999.

In addition, Chris Anderson gave warranties and indemnities, including those with respect to taxation, and made certain representations, to the Company, in respect of the Imagine acquisition. No claims have been made to date by the Company under the warranties or indemnities in the Imagine Acquisition Agreement. The time limit for claims is on or before the expiration of the statute of limitations under US law in respect of taxation, and on or before 30 June 2001 in respect of any other matters.

10% being 2,750,345 (1999: 17.5% being 4,813,104) of the shares issued to Chris Anderson as part of the Imagine acquisition are held by an escrow agent to satisfy any warranty or indemnity claims under the Imagine Acquisition Agreement. Chris Anderson remains the legal and beneficial owner of the shares held in escrow. The escrow shares are to be released on 25 June 2003. Any liabilities of the Company under the Imagine Acquisition Agreement, if the Company so elects, are to be satisfied solely by the issuance of Ordinary shares. No liabilities have been identified under this agreement.

In July 2000 the Group paid to Chris Anderson £18,000,000 being the deferred consideration owing to him from the acquisition.

At the date of the acquisition, Chris Anderson was the sole shareholder of Imagine. However, 17.2% of Imagine's share capital was under option to employees of Imagine. On a fully diluted basis, therefore, Imagine's share capital was owned as to 82.8% by Chris Anderson and as to 17.2% by Imagine optionholders.

The terms of the imagine stock options provided that such options would lapse if the optionholder left Imagine.

On and following the acquisition of Imagine, if such options lapsed on the employee leaving Imagine, the net effect would have been to reduce the total number of consideration shares issued by The Future Network. To avoid this, the terms of the 1999 Plan provide for options to be 'recycled'; if an optionholder were to leave, their option entitlements are re-allocated to the shareholders and optionholders of Imagine as at the date of acquisition, pro rata to their entitlement to shares.

Similarly, when such options are exercised, Imagine receives the exercise monies from that option exercise. The receipt of exercise monies on option exercise was not one of the assets of Imagine agreed to be acquired by Future.

Accordingly, there was at the date of acquisition left outstanding a loan ('the Option Loan') from Chris Anderson to Imagine which was equivalent to the aggregate value of all exercise monies payable to Imagine by Imagine option holders. (Other loans, which were in place between Chris Anderson and Imagine, were released on acquisition).

32. Related party transactions continued

Pursuant to a debt satisfaction agreement dated 17 June 1999, Imagine then agreed to pay Chris Anderson the amount of such option exercise monies as and when received in satisfaction of principal and interest on the Option Loan. To the extent that insufficient exercise monies are received by Imagine to repay the Option Loan in full, the amount of the loan outstanding is to be released.

During the period:

- (i) The balance of the Anderson loan including interest as at 1 January 2000 amounted to £2,559,788 (1 January 1999: £5,326,045).
- (ii) £1,022,082 (1999: £2,537,974) was repaid to Chris Anderson in the period from 1 January 2000 to 31 December 2000.
- (iii) The book value of the Anderson loan at acquisition was £2,992,003 and the fair value of the Anderson loan at acquisition was £2,513,792.
- (iv) During the period 1 January 2000 to 31 December 2000 interest accruing at 7% on the Anderson loan amounted to £141,068 (1999: £89,687).
- (v) At 31 December 2000 the net present value of the balance outstanding on the Anderson loan amounted to £1,876,183 (1999: £2,559,788) including interest and foreign exchange adjustments.
- (vi) The total Exercise Receivable amounts to £1,733,000 (1999: £3,573,891).
- (vii) The Received Exercise Price in the period 1 January 2000 to 31 December 2000 amounted to £146,479 (25 June 1999 to 31 December 1999 amounted to £860,515).

The net effect of each of these arrangements is to ensure that:

- (i) Future meets its commitment to issue, in aggregate, 33,863,147 consideration shares to those persons who were shareholders or option holders of Imagine at the date of acquisition; and
- (ii) The exercise monies receivable by Imagine from those persons who held options over Imagine stock as at the date of the acquisition are transferred to Chris Anderson and are not retained by Imagine.

Snowball.com, Inc. ('Snowball') (formerly Affiliation Networks Inc) Chris Anderson is the chairman of Snowball. On 21 March 2000 Snowball listed on the Nasdaq stock exchange. At 31 December 2000, 44.4% of the shares in Snowball were held by Chris Anderson (1999: 43.5%).

At 31 December 2000 Imagine held for its own benefit 599,973 shares in Snowball being 1.5% (1999: 1.4%). These shares are included in the balance sheet as at 31 December 2000 at nil value (note 11).

In addition, Imagine holds 1,157,050 shares for the benefit of employees (1999: 1,240,500). During the year 7,343 shares held for the benefit of the employees were sold in order to satisfy obligations under the Imagine Supplemental Bonus Plan ('the Bonus Plan'). Employees who were employees of Imagine on the date of transfer of Snowball's assets from Imagine to Snowball were eligible to participate in this plan. The Bonus Plan provides that, in the event Snowball is sold or listed on a National securities exchange in the United States, each holder who is employed by Imagine at the time of such sale or at the time after such Listing when Imagine may freely trade its shares shall be entitled to receive a cash payment equal to the value of one share of Snowball stock for each vested bonus unit. Alternatively if the shares are listed and are freely transferable, Imagine may elect, if the employee requests, to transfer the shares in Snowball to such electing employee. Whilst Imagine is registered owner of the preferred stock in Snowball, the Bonus Plan provides that only participating employees will benefit economically from the aforementioned preferred stock in Snowball. To the extent that bonus units remain with participating employees they are excluded from the balance sheet of Imagine since there is a corresponding liability to remit a value equal to that investment to the employees. The Bonus Plan for Imagine employees also provides that, if a bonus unit does not become redeemable for any reason, such bonus unit will revert to Imagine, and be capitalised in investments. During the year 76,107 shares have reverted to Imagine.

Certain premises located at Imagine's offices in San Francisco were sub leased to Snowball when the asset transfer was made in January 1999, and at the same time an agreement was made between Imagine and Snowball for the provision of certain services. In respect of this service agreement, during the year:

- (i) An amount of £201,885 (1999: £35,326 pre acquisition and £122,094 post acquisition) was payable to Imagine in respect of the above services and lease payments.
- (ii) £24,285 was outstanding at 31 December 2000 (1999: £nil).

On 17 June 1999, the Group entered into a cross marketing and licensing agreement with Snowball. This was terminated on 29 February 2000 by mutual consent by all parties, foregoing the six month notice period.

During the period 1 January - 31 December 2000:

- (i) £80,434 (1999: £40,549) was receivable from Snowball by Imagine in respect of banner advertising procured for the Imagine websites, and an amount of £17,122 (1999: £23,871) was payable by Snowball for reimbursement of expenses.
- (ii) At 31 December 2000, £nil (1999: £64,314) was due to Imagine in respect of these transactions (including foreign exchange adjustments).

(b) **Lease rental of Imagine's property** Until 14 September 2000, Chris Anderson had a personal guarantee over the lease on Imagine premises at 150 North Hill Drive, Brisbane, San Francisco, this was replaced by a guarantee by The Future Network at that date. No amounts were outstanding in respect of lease rentals payable on the premises at 31 December 2000 and 31 December 1999.

Transactions between the executive Directors and certain of the shareholders of the Company.

32. Related party transactions continued

(c) **Purchase Option Deed** In order to provide additional consideration to Chris Anderson for the sale of Imagine, on 17 June 1999 the then executive Directors entered into a purchase option deed ('the Purchase Option Deed') with certain shareholders of the Company, being the 'Apax Funds' and the APIA investors, collectively together ('the Institutional Investors'). The Apax Funds comprise Apax UK VI, Altamir & Cie, Apax France, Apax Germany, APA Excelsior IV, L.P., APA Excelsior IV/Offshore L.P., and Patricof Private Investment Club, L.P. The APIA investors comprise GE Investment Corporation, Chase Capital Partners, Worldstar Limited, Private Equity Co-Invest Limited, and Continental Casualty Corporation. The Institutional Investors and Chris Anderson agreed that Greg Ingham and Ian Linkins should participate in any benefit to which Chris Anderson becomes entitled under the terms of the Purchase Option Deed.

Under the terms of the Purchase Option Deed the Institutional Investors transferred for nil consideration, 4,025,644 Ordinary shares of the Company, to an escrow agent. Each of the Institutional Investors further granted an option ('the Option') to the executive Directors conditional upon the aggregate value of the Ordinary shares calculated over the period 1 January 2000 to 31 March 2000 ('the Earnout Period') exceeding a target market capitalisation value of £611,000,000 ('the Target Market Capitalisation') and exercisable on or before 31 May 2000, to acquire all or a proportion of the shares held in escrow ('the Earnout Shares') for nil consideration.

The executive Directors have agreed to indemnify the Company and Imagine in respect of any taxation suffered or incurred by either of them as a result of this agreement.

As the target market capitalisation was achieved, all 4,025,644 Ordinary shares are now held by the escrow agent for the executive Directors. The option period has been extended by agreement between the Trust investors and the executive Directors to 31 December 2001.

Other related party transactions

(d) Inter Group transactions

Exempt transactions Transactions with those subsidiary undertakings where 90% or more of their voting rights are controlled within the Group, and transactions that are eliminated on consolidation, are not disclosed as provided for in FRS8: Related Party Disclosures.

33. Post balance sheet events

On 16 February 2001 the Group announced that it was to close or sell 20 of its magazines and significantly reduce Internet Investment. The restructuring has been completed at the date of these accounts and the results of the closed titles have been classified as discontinued.

34. Principal subsidiary and associated undertakings

The principal subsidiaries and associated undertakings are shown below. A full list of subsidiaries is shown in the Company's annual return, and all subsidiaries are included in the consolidation. Shares of those companies marked with an * are indirectly owned by The Future Network plc.

Company name	Country of Incorporation	Nature of business	Holding %	Class of shares
Subsidiaries				
Future Publishing Limited*	England and Wales	Magazine and Internet publishing	100	£1 Ordinary shares
Future Publishing Holdings Limited	England and Wales	Holding company	100	1p Ordinary shares
Future Media Italy SpA* (formerly known as Il Mio Castello Editore SpA)	Italy	Magazine and Internet publishing	100	1000 lire Ordinary shares
Future France SA* (formerly known as Edicorp Publications SA)	France	Magazine publishing	100	FFR100 Ordinary shares
Imagine Media, Inc.	USA (State of California)	Magazine and Internet publishing	100	Not applicable
Silver Shark Sp z.o.o.*	Poland	Magazine publishing	100	1,000 PLN Ordinary shares
Future Verlag GmbH*	Germany	Magazine and Internet publishing	100	1DM Ordinary shares
Associate				
TED Conferences LLC*	USA (State of California)	Conference business	49	Not applicable

Analysis of ordinary shareholders as at 31 December 2000:

Range of holdings	Number of shareholders	Percentage of total shareholders	Number of shares '000	Percentage of issued share capital
1-500	806	39.45	194.523	0.14
501-1000	345	16.89	275.028	0.19
1001-10,000	575	28.14	1,593,124	1.11
10,001-100,000	193	9.45	6,952,387	4.87
100,001 and over	124	6.07	133,939,854	93.69
Total	2,043	100.00	142,954,916	100.00

Shareholders should contact the Registrars, Lloyds Registrars plc, in connection with changes of address, lost share certificates and transfer of shares.

For enquiries of a general nature regarding the Company and for Investor Relations enquiries please contact Robert Day at the Group registered office.

Annual timetable

Annual General Meeting	12 June 2001
Half-year results announced	10 September 2001
Half-year results mailed to shareholders	1 October 2001

Unsolicited mail

The share register is by law a public document. To limit the receipt of mail from other organisations, please write to Mailing Preference Services, Freepost 22, London W1E 7EZ.

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Investment bankers
Morgan Stanley Dean Witter
25 Cabot Square
Canary Wharf
London E14 4QA

Principal bankers
BNP Paribas
10 Harewood Avenue
London NW1 6AA

Auditors
PricewaterhouseCoopers
31 Great George Street
Bristol BS1 5QD

Solicitors
SJ Berwin & Co
222 Grays Inn Road
London WC1X 8HB

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Registered office and Group headquarters
The Future Network plc
Beauford Court
30 Monmouth Street
Bath BA1 2BW

<http://www.thefuturenetwork.plc.uk>

Company registration number 3757874

The Future Network is quoted on the London Stock Exchange (symbol: FNET).

UK Future Publishing

Computing
3D World
Computer Arts
Computer Arts Specials
Cre@te Online
DV World
Internet Advisor
Internet Works
Linux Format
MacFormat
.net
PC Answers
PC Format
PC Guide
PC Plus
Practical Web Pages

Games
Edge
GamesMaster
N64
Official UK PlayStation
Magazine
Official UK PlayStation 2
Magazine
PC Gamer
PlayStation Max
Power
PSM2

Leisure
Celebrations in Cross Stitch
Chelsea - The Official
Magazine
Classic Rock
Computer Music
Cross Stitch Collection
Cross Stitcher
Cycling Plus
Diesel Car
DVD Shopper
Future Music
Glory Glory Man Utd
Good Woodworking
Guitar Techniques
Guitarist
Hi-Fi Choice
Home Entertainment
Jane Greenoff's Cross Stitch
Manchester United Magazine
Metal Hammer
Mountain Biking UK
MXUK
Needlecraft
Quick & Easy Cross Stitch
Redline
Rhythm
Sailing Today
SFX

Total Film
Total Football
Total Guitar
T3
What DVD?

Business 2.0
Business 2.0

Internet - networks and sites
computercreative.com
dailyradar.co.uk
futureauctions.co.uk
futurefeeds.com
intermusic.com
maximumpc.co.uk
musicshareware.com
t3network.co.uk
totalfootball.co.uk

Internet - magazines online
3D World
Business 2.0
Computer Arts
Cre@te Online
Edge
Future Music
Guitarist
Hi-Fi Choice
Home Entertainment
Internet Advisor
Internet Works
Linux Format
MacFormat
Metal Hammer
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PC Answers
PC Format
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