SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: September 30, 2000

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-30604

lastminute.com plc

(Exact name of Registrant as specified in its charter)

England and Wales
(Jurisdiction of incorporation or organisation)

4 Buckingham Gate
London, SW1E 6JP
(011) (44) (20) 7802 4200
(Address and telephone number of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:	None (Title of Class)
Securities registered or to be registered pursuant to Section 12(g) of the Act:	Ordinary Shares of 1p each (Title of Class)
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:	None (Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of period covered by the Annual Report:

Ordinary Shares 150,574,229

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒

TABLE OF CONTENTS

Presentation of Financial and Other Information

In this Annual Report, references to ‘‘$,’’ ‘‘U.S.$,’’ ‘‘U.S. dollars,’’ and ‘‘dollars’’ are to the currency of the United States, and reference to ‘‘pounds sterling,’’ ‘‘pounds,’’ ‘‘£,’’ ‘‘pence,’’ and ‘‘p’’ are to the currency of the United Kingdom. This report contains translations of pounds sterling amounts into U.S. dollars at specified rates solely for the convenience of the reader. No representation is made that the amounts referred to in this report as convenience translations could have been or could be converted from pounds sterling into U.S. dollars at these rates, or at any particular rate or at all. Unless otherwise indicated, all translations in this report of pounds sterling amounts into U.S. dollars are at the rate of £1.00 : $1.4787, the Noon Buying Rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2000. See Item 3 — ‘‘Exchange Rate Information’’ for historical information regarding the Noon Buying Rate for pounds sterling.

We maintain our financial books and records in pounds sterling and present our financial statements in conformity with accounting principles generally accepted in the United Kingdom, or U.K. GAAP. As applicable to our financial statements, U.K. GAAP and U.S. GAAP differ as described in note 29 of the notes to the financial statements.

The Noon Buying Rate on March 21, 2001 was $1.43 = £1.00.

Forward-Looking Statements

This document includes statements that we believe constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements appear throughout this document and are subject to risks, uncertainties and assumptions about us, which are difficult to predict.

Words like ‘‘believe,’’ ‘‘anticipate,’’ ‘‘expect,’’ ‘‘intend,’’ ‘‘seek,’’ ‘‘will,’’ ‘‘plan,’’ ‘‘could,’’ ‘‘may,’’ ‘‘might,’’ ‘‘project,’’ ‘‘goal,’’ ‘‘target’’ and similar expressions often identify forward-looking statements but are not the only way we identify these statements.

These statements may be found in the sections of this Annual Report entitled ‘‘Information on the Company,’’ ‘‘Risk Factors,’’ ‘‘Operating and Financial Review and Prospects,’’ ‘‘Regulation’’ and in this Annual Report generally. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including all the risks discussed in ‘‘Risk Factors,’’ ‘‘Operating and Financial Review and Prospects’’ and ‘‘Regulation.’’ You should understand that a number of important factors could cause our actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Except as required by the rules of the United Kingdom Listing Authority, the London Stock Exchange, the Nasdaq National Market, and applicable law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report might not occur.

Except as otherwise indicated, all information in this Annual Report does not include shares issuable upon exercise of options granted as of the date of this Annual Report pursuant to our employee share option plans.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable to Annual Reports

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable to Annual Reports

ITEM 3. KEY INFORMATION

Selected Financial Data

The selected consolidated financial data set forth below should be read in conjunction with, and are qualified in their entirety by, reference to the financial statements and notes thereto included elsewhere in this Annual Report.

The summary financial data are based on our financial statements included elsewhere in this Annual Report which have been prepared in accordance with U.K. GAAP and audited by Ernst & Young, our independent auditors. As applied to our financial statements, U.K. GAAP and U.S. GAAP differ as described in note 29 of the notes to the financial statements.

U.S. dollar amounts have been translated at the Noon Buying Rate on September 30, 2000 of £1.00 : $1.4787 solely for convenience.

Profit and Loss Account Data:

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000	2000
	(£)	(£)	(£)	($)
	(in thousands, except shares and per share and per ADS amounts)			
TOTAL TRANSACTION VALUE(1)	—	*2,647*	*34,189*	*50,555*
Turnover (revenues)(2)	—	195	3,740	5,530
Cost of sales	—	18	401	593
Gross profit	—	177	3,339	4,937
Operating costs(3):				
Product development	179	1,423	10,353	15,309
Sales and marketing	27	1,597	20,711	30,625
General and administration	86	1,736	11,792	17,437
Total operating costs	(292)	(4,756)	(42,856)	(63,371)
Other operating income	—	12	66	98
Operating loss	(292)	(4,567)	(39,451)	(58,336)
Share of operating loss in joint venture (net of amortisation of negative goodwill)	—	—	(33)	(49)
Total operating loss: Operating loss and share of joint venture	(292)	(4,567)	(39,484)	(58,385)
Interest receivable	7	68	3,777	5,585
Interest payable and similar charges	—	(1)	(41)	(61)
Loss on ordinary activities before taxation	(285)	(4,500)	(35,748)	(52,861)
Tax on loss on ordinary activities	1	—	—	—
Loss for the financial period	(286)	(4,500)	(35,748)	(52,861)
Loss per share — basic and fully diluted	(0.94)p	(13.51)p	(36.35)p	$(0.54)
Loss per ADS — basic and fully diluted(4)	(4.70)p	(67.55)p	(181.75)p	$(2.70)
Weighted average number of Ordinary Shares outstanding(5)	31,488,429	33,595,515	98,347,405	98,347,405
Amounts under U.S. GAAP				
Loss for the financial period	(286)	(4,504)	(35,223)	(52,084)
Loss per share — basic and fully diluted	(0.94)p	(13.53)p	(35.81)p	$(0.53)
Loss per ADS — basic and fully diluted(4)	(4.70)p	(67.65)p	(179.05)p	$(2.65)

Balance Sheet Data:

	At September 30,		
	1999	2000	
	(£)	(£) (in thousands)	($)
Amounts under U.K. GAAP			
Fixed assets	403	72,569	107,308
Current assets	5,063	114,283	168,990
Total assets	5,466	186,852	276,298
Creditors: amounts falling due within one year	(2,289)	(38,301)	(56,636)
Total assets less current liabilities	3,177	148,551	219,662
Creditors: amounts falling due after more than one year	—	6,031	8,918
Provisions for liabilities and charges	614	1,410	2,085
Shareholders' funds	2,563	141,110	208,659
Amounts under U.S. GAAP			
Redeemable preferred stock	6,462	—	—
Shareholders' funds (deficit)	(3,903)	146,068	215,991

(1) Total transaction value does not represent our statutory turnover. In the majority of transactions, where we act as agent or cash collector, total transaction value represents the price at which goods have been sold across our web site, net of value added tax. In other cases, for example the reservation of restaurant tables, a flat fee is earned, irrespective of the value of goods provided. In such cases total transaction value represents the flat fee commission earned. In the small number of cases where we act as principal, total transaction value represents the price at which products are sold across the web site, net of value added tax.

(2) In the majority of cases we do not take ownership of the products being sold and act as agent, receiving a commission from the supplier of products being sold. In these cases, turnover represents commission earned, less amounts due or paid on any commission shared. In a limited number of cases, we act as principal and purchase products for resale. Where we act as principal, turnover represents the price at which products are sold across our web site. Turnover is recognised once charges to the customer's credit card have been made, except for travel, which is recognised on the date of departure, and is stated exclusive of value added tax. Additional revenue streams (e.g. sponsorship) also contribute to turnover.

(3) Non-cash share-based compensation and our provision for National Insurance contributions can be analysed as follows:

	April 1998 (inception) to September 30, 1998	Year Ended September 30,		
		1999	2000	
	(£)	(£) (in thousands)	(£)	($)
Non-cash share-based compensation:				
Product development	—	169	1,374	2,031
Sales and marketing	—	218	1,604	2,372
General and administration	—	285	1,604	2,372
	—	672	4,582	6,775
National Insurance provision in relation to non-cash share-based compensation:				
Product development	—	144	26	38
Sales and marketing	—	198	31	46
General and administration	—	258	31	46
	—	600	88	130

(4) Each ADS represents five shares.

(5) Shares and per share amounts have been retroactively adjusted for the 284 for 1 bonus issue of ordinary shares which occurred on February 15, 2000.

Non-financial Operating Data(6):

	Year ended and at September 30,	
	1999	2000
Number of items sold in the period(7)	23,866	312,912
Number of registered subscribers at the period end(8)	364,750	2,850,678
Number of customers at the period end(9)	10,189	156,196
Number of suppliers at the period end(10)	548	9,221

(6) Non-financial operating data is prepared to enable our directors to monitor our performance and manage our business.

(7) We define an item sold as an individually priced product or service purchased by a customer.

(8) Registered subscribers are users of our web site who have submitted their e-mail addresses and other data and have elected to receive our weekly e-mail. This does not include users who register with us, but elect not to receive our weekly e-mails. Since we count our registered subscribers based on their e-mail addresses, users who registered multiple times using different e-mail addresses will count as multiple registered subscribers. For example, if a user has registered with us using an e-mail address at work and one at home, the user will be counted as two registered subscribers. If an e-mail is continually rejected from the receiving email server, or bounces, this subscriber is deleted from the distribution list.

(9) The number of customers is the cumulative number of customers (excluding repeat customers) since our inception. Customers are defined as individuals who have purchased goods over our platform.

(10) The number of suppliers includes individual airlines, hotels, package holiday suppliers, entertainment vendors, gift suppliers and restaurants.

Dividend Policy

We have never paid cash dividends to our shareholders, and we currently do not expect to pay dividends for the foreseeable future. We expect that all available cash from operations will be used to finance the growth and development of our business, to meet our projected capital and other expenditure requirements and to fund our operating losses.

Under English law, any payment of dividends would be subject to the Companies Act 1985 of Great Britain, which requires that all dividends be approved by our board of directors and, in some cases, our shareholders. Moreover, under English law, we may pay dividends on our shares only out of profits available for distribution determined in accordance with the Companies Act and accounting principles generally accepted in the United Kingdom, which differ in some respects from U.S. GAAP. In the event that dividends are paid in the future, holders of the ADSs will be entitled to receive payments in U.S. dollars in respect of dividends on the underlying shares in accordance with the Deposit Agreement.

Exchange Rate Information

A proportion of our assets, liabilities, revenues and expenses are denominated in currencies other than pound sterling. Accordingly, fluctuations in the value of the pound sterling relative to other currencies can have a significant effect on the translation into sterling of non-sterling assets, liabilities, revenues and expenses.

The following table shows, for the periods and dates indicated, certain information regarding the U.S. dollar/pound sterling exchange rate, based on the Noon Buying Rate, expressed in U.S. dollars per £1.00.

Fluctuations in the exchange rate between the pound sterling and the U.S. dollar will affect, among other things, the U.S. dollar equivalent of the pound sterling price of our shares on the London Stock Exchange, which is likely to affect the market price of our ADSs on the Nasdaq National Market.

Year-Ended September 30,	Period end U.S.$	Average rate U.S.$(1)	High U.S.$	Low U.S.$
1996	1.56	1.54	1.59	1.49
1997	1.61	1.64	1.71	1.56
1998	1.70	1.66	1.71	1.61
1999	1.65	1.63	1.72	1.55
2000	1.48	1.61	1.68	1.57
Month				
October 2000	1.45	1.45	1.47	1.43
November 2000	1.42	1.42	1.45	1.40
December 2000	1.50	1.46	1.50	1.44
January 2001	1.46	1.48	1.50	1.46
February 2001	1.44	1.45	1.48	1.44
March 2001 (through March 21, 2001)	1.43	1.45	1.47	1.42

(1) The average rate is the average of the Noon Buying Rates on the last day of each month during an annual period and the average of the Noon Buying Rates on each day during a month period.

On March 21, 2001 the Noon Buying Rate for the pound was $1.43.

Capitalisation and Indebtedness

Not applicable to Annual Reports

Reasons for the Offer and Use of Proceeds

Not applicable to Annual Reports

Risk Factors

You should carefully consider the risks described below as our business, financial condition or results of operations could be materially adversely affected by such risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

You may have difficulty assessing our business and our future prospects because we have a limited operating history and because we operate in a new and rapidly evolving market

Last Minute Network Limited, our wholly owned and principal operating subsidiary in the United Kingdom, was founded on April 1, 1998, and the lastminute.com web site was launched in October 1998. Because we have only a limited operating history, it is difficult to evaluate our business and our future prospects. For example, it is difficult to predict whether the market will continue to accept our services and the level of turnover we can expect to derive from our services. Because we are an early stage company in the on-line market for last minute services and transactions, which still is a relatively new and evolving e-commerce market, we cannot be certain that our business model will be successful. If we do not successfully implement our business model or if we are unable to anticipate or are unprepared to take advantage of changes in the market for our products and services, our business could be harmed or fail entirely.

We are not profitable and expect to continue to incur losses

We have experienced losses from operations in each period since our inception. From April 1, 1998 to September 30, 2000, we incurred losses of £34.8 million, before giving effect to £5.8 million of non-cash charges arising from share issuances to a number of our employees, which resulted in total losses for that period of £40.5 million. In the three months ended December 31, 2000 under U.K. GAAP we incurred net losses of £11.7 million, excluding the amortisation of goodwill arising on the acquisition of Degriftour. As at December 31, 2000 our total losses since inception were £52.3 million, excluding the amortisation of goodwill arising on the acquisition of Degriftour.

For both U.K. and U.S. GAAP purposes, we expect to incur National Insurance charges, the U.K. social welfare tax, levied by the Inland Revenue, the tax authority in the United Kingdom, relating to options granted after April 6, 1999 under our unapproved share option schemes at a rate of 12.2% on the difference between the share value at the exercise date and the grant price, which may be significant. However, the proposed Social Security (Share Options) Bill will enable companies to freeze the amount liable to National Insurance on exercise of share options granted between April 6, 1999 and May 19, 2000. This gives us an option to cap our liability by reference to our share price on November 7, 2000. In addition, on January 31, 2000 and February 14, 2000, we executed performance-based warrant instruments pursuant to which we may grant warrants to two of our key airline suppliers, Lufthansa and Virgin Atlantic Airways, if they achieve specified levels of ticket sales through our web site over five six-month measuring periods commencing January 1, 2000 and March 1, 2000, respectively. As at March 21, 2001 neither airline was in line to meet the sales performance targets set. In connection with these warrants, for U.S. GAAP purposes, we may incur non-cash charges which may, depending on the market price of our shares, have a significant impact on our results of operations, although we will not recognise any expenses for U.K. GAAP purposes. We may enter into similar agreements to issue warrants from time to time. The amount and timing of the National Insurance charges related to the options and the non-cash charges associated with the warrants cannot currently be determined, but these charges may have a material impact on our future results of operations. See Item 5 — "Operating and Financial Review and Prospects — Loss on Ordinary Activities" and "Employee Share Schemes" and note 29 of the notes to the financial statements.

If our turnover does not increase substantially or if our expenses increase more than we expect, we will not be profitable.

Our operating results may fluctuate and be difficult to predict, and if we fail to meet the expectations of securities analysts or investors, the market price of our shares and ADSs may decline significantly.

If our operating results fall below the expectations of securities analysts or investors, the trading price of our shares and ADSs may decline significantly. Since our operating results may fluctuate and be difficult to predict, we believe that quarter-to-quarter comparisons of our operating results do not provide a good indication of our future performance.

Our quarterly operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside our control. These factors include:

- an increased level of sales and marketing expenses as we continue to build our brand;
- the expenses associated with the implementation of our international expansion strategy and customer and supplier acceptance of our products and services internationally;
- any change in the mix of products since some of our offerings, such as gifts, earn higher commission rates than others, such as airline tickets; and
- seasonal and economic patterns and trends which affect the markets for the products we offer.

Our rapid growth has placed a strain on our operational, financial and other resources, and if we fail to successfully handle future growth, we may be unable to execute our business plan

The rapid growth of our business has placed, and we expect it will continue to place, a significant strain on our operational financial resources and personnel. We have experienced a period of significant expansion in our number of employees, facilities and infrastructure. We anticipate that further expansion may be required to take advantage of market opportunities and to ensure we have the operating and financial resources and personnel appropriate to our business. Our technology and customer support are two areas where our rapid growth has also put a strain which, if not addressed, may result in unacceptably low levels of customer service. In addition, as a result of our rapid growth, our operating costs, including marketing expenses and capital expenditures relating to the expansion of our business, have increased. As we continue to grow, our operating costs may continue to increase.

If our systems are unable to provide acceptable performance as the use of our services increases, we may not be able to attract new customers and suppliers and may lose existing customers and suppliers to our competitors

If we are unable to provide reliable, real-time access to our information systems for our customers and suppliers, we may not be able to attract new customers and suppliers and may lose our existing customers and suppliers to our competitors. As our operations grow in both size and scope in the United Kingdom and elsewhere, we will need to improve and upgrade our systems and infrastructure to maintain and improve the reliability, security and speed of, as well as access and availability to, our web site.

We have at times experienced slow delivery times, unreliable service levels or insufficient capacity. We have also experienced relatively brief computer system interruptions, and these interruptions may recur. Our servers are vulnerable to computer bugs, viruses, physical or electronic break-ins and similar disruptions. Our systems and operations are also vulnerable to damage or interruption from a number of sources, including fire, flood, power loss, telecommunications failure, physical and electronic break-ins and other similar events. Any substantial disruption of this sort could significantly impair our ability to generate sales from our web site. We do not presently have a comprehensive disaster recovery plan in effect and do not carry sufficient business interruption insurance to compensate us for all losses that could occur.

Rapid technological changes may render our technology obsolete or decrease the competitiveness of our services

If our competitors introduce new services that employ new technologies, or if new industry standards and practices emerge, our existing web site and proprietary technology and systems may become obsolete.

The Internet and the e-commerce industry are rapidly changing. In particular, the on-line travel industry is characterised by increasingly complex systems and infrastructures. Unless we are able to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis we may not be able to respond to competitive challenges.

We may also use or procure new technologies ineffectively or we may fail to adapt our web site's transaction-processing systems and network infrastructure to customer requirements or emerging industry standards. If we face material delays in introducing new products, services and enhancements, our customers and suppliers may not use our web site and we may be at a competitive disadvantage.

We will be less competitive in our industry if we are unable to attract, retain and motivate key individuals and highly skilled employees

We depend substantially on the continued services and performance of our senior management, particularly our co-founders, Brent Hoberman and Martha Lane Fox as well as the services of Pierre Jacques Alzon. While we have employment agreements with restrictive covenants with each of our executive officers and other key employees, these agreements do not prevent these executives from terminating their employment at any time. As a result, these executives may elect to pursue other opportunities at any time. The loss of the services of any executive officers or other key employees could hurt our business.

In addition, as our business has expanded, we have needed to add new information technology and engineering personnel to maintain and expand our web site and systems and customer support personnel to serve our increased registered subscriber base. If we become unable to hire and successfully train sufficient employees or contractors in these areas, users of our web site may have negative experiences and we may lose customers, which could decrease our turnover and the value of our brand. The market for recruiting appropriately qualified information technology and other personnel remains competitive and we may experience difficulties in attracting and retaining employees. Should we fail to retain or attract qualified personnel, we may not be able to compete successfully in our industry.

If we do not maintain our relationships with suppliers, we may be unable to increase the attractiveness of our services or provide satisfactory services to our registered subscribers, which would limit our potential market share

Some of our suppliers, such as airlines, may offer their products or services directly to consumers through the Internet and may not use our web site. Although we are not aware of any airlines having decided to concentrate on offering last minute services through an Internet-based platform, we are aware of a number of airlines that have announced new initiatives to offer Internet-based travel services. These initiatives could prove to be a serious threat to our supplier base and one of our core markets.

If we do not maintain the quality of our supplier relationships, the number and breadth of products and services we offer could significantly decrease. As a result, we may be prevented from increasing the attractiveness of our services to our registered subscribers, which would limit our potential market share. Our business model relies on our relationships with suppliers to increase the number and variety of products that we offer and provide additional services and content to attract new users. In turn, we believe a large registered subscriber base encourages our suppliers to accept our web site as an efficient and profitable distribution channel for their products and services and to expand their use of it.

Although we have either formal contracts or letter agreements with some of our suppliers and have executed performance-based warrant instruments pursuant to which we may grant warrants to Lufthansa and Virgin Atlantic Airways, not all of our suppliers are under any obligation to offer their products and services through our web site. It is possible that suppliers may choose not to distribute their products and services through our web site, or through the Internet at all. Suppliers could elect to terminate our contracts at any time or upon short notice, pursue relationships with our competitors, develop or acquire services that compete with our services or sell exclusively through other sales and distribution channels.

In addition, we rely on our suppliers' computer and distribution systems. Any interruption in the services of these computer and distribution systems or deterioration in our suppliers' services will negatively affect our customers' perception of our services. If the products and services that we are able to offer are not well received by our customers, our reputation could be damaged and our turnover could decrease.

A decline in commission rates or the elimination of commissions would be likely to reduce our turnover, which could cause the trading price of our shares to decline

Currently, the principal source of our turnover is commissions paid to us by suppliers for bookings or purchases made through our web site. If current industry standard commissions decline or otherwise change or if our suppliers reduce their commission rates or eliminate commissions entirely, it is likely that our turnover would be reduced, which could depress the trading price of our shares. In many cases, we do not have written commission agreements with our suppliers, but rely on informal arrangements for the payment of commissions. Travel suppliers are not obligated to pay any fixed commission rate for bookings or purchases made through our web site and, as a result, the level of our commissions may fluctuate. Moreover, commissions in the travel industry have been falling steadily in the past few years.

We generally earn industry standard commissions on most of the products we offer on our web site, which vary by industry segment. However, from time to time we have entered into and may in the future enter into arrangements with our suppliers to accept commissions that are lower than industry standards, which may have an adverse effect on our turnover. Finally, commission rates in jurisdictions other than the United Kingdom and the other jurisdictions in which we operate may be based on fixed amounts rather than stated as a percentage of the total value of the product or service sold, which may cause turnover to be lower in those jurisdictions than in jurisdictions where commissions are paid on a percentage basis.

We rely on services from third parties to carry out our business and to deliver our products to customers, and if there is any interruption or deterioration in the quality of these services, our customers may not continue using our services

We rely on third-party computer systems and third-party service providers, including the central reservation systems of airlines and hotels and our marketing partners, to make airline ticket and hotel room reservations and credit card verifications and confirmations, to host our web site and to advertise and deliver the products sold on our web site to customers. We also rely on third-party licenses for the software underlying our technology platform. Any interruption in our ability to obtain the products or services of these or other third parties or deterioration in their performance could impair the timing and quality of our own service. If our service providers fail to deliver high-quality products and services in a timely manner to our customers, our services will not meet the expectations of our customers and our reputation and brand will be damaged. Furthermore, if our arrangements with any of these third parties are terminated, we may not find an alternate source of systems support on a timely basis or on terms as advantageous to us.

Our strategy to develop internationally depends on our ability to develop an adequate international supplier and customer base, and if we fail to attract international demand for our services, our growth will be limited and our operating results may be harmed

We launched our web site in France in September 1999, in Germany in October 1999, in Sweden in December 1999, and in Spain, The Netherlands and Italy in December 2000. The acquisition of the Degriftour group forms part of our strategy to further expand our business in continental Europe. We may pursue this expansion through further acquisitions or otherwise. If we do not develop adequate local supplier or customer bases we do not believe that the local versions of our web site will be accepted as a viable market for our products and services in these or other European countries. If this occurs, our growth will be limited and our operating results may be harmed. We are investing in marketing and promoting our web site in Germany, Sweden, Spain, The Netherlands and Italy and, through the Degriftour acquisition and otherwise, in France.

We are also exploring opportunities to expand into other markets, including Asia, Australia, Africa and the United States. We established joint ventures with Travel.com.au in Australia and New Zealand in March 2000 and

Tourvest in South Africa in May 2000. In August 2000, lastminute.com was launched in the Australian market. Again, if these joint ventures do not develop an adequate supplier or customer base we do not believe that the local version of our web site operated by these joint ventures will be accepted as a viable market for our products and services. Again, if this occurs, our growth will be limited and our operating results may be harmed.

Our future turnover and operating results depend upon consumers continuing to access our web site from the United Kingdom, France, Germany, Sweden, The Netherlands, Spain and Italy and, over time, other parts of Europe and elsewhere.

Our international operations involve risks relating to purchasing and travel patterns and practices and Internet-based commerce in foreign markets, and if we are unable adequately to address these risks, the growth of our international operations will slow down

In order to achieve widespread acceptance in each country we enter, we believe that we must tailor our services to the unique customs and cultures of that country. Learning the customs and cultures of various countries, particularly with respect to purchasing and travel patterns and practices, is difficult and our failure adequately to do so could slow our growth in those countries.

We also face risks specific to Internet-based commerce in foreign markets. Among others, any of the following international risks could delay our international growth and harm our operating results:

- delays in the development of the Internet as a medium of commerce in international markets;
- delays in the development of the backbone and bandwidth of the Internet;
- difficulties in managing operations due to distance, language and cultural differences;
- consumer unwillingness or inability to use credit cards or other similar modes of payment, like smart cards;
- unexpected changes in regulatory requirements;
- tariffs and trade barriers and limitations on fund transfers;
- difficulties in staffing and managing foreign operations;
- potential adverse tax consequences;
- exchange rate fluctuations; and
- increased risk of piracy and limits on our abilities to enforce our intellectual property rights.

The expected benefits of the Degriftour acquisition may not be realised, and this could adversely affect our results

Effective September 30, 2000, we acquired the Degriftour group of companies (Revalfi S.A.R.L., Voyages Sur Mesures S.A. and Activnet S.A.R.L.). If we are not able to integrate effectively the Degriftour group's technology, operations and personnel in a timely and efficient manner, then the expected benefits of this acquisition will not be realised. In particular, if the integration is not successful:

- our operating results may be adversely affected and potential cost savings and revenue synergies may not be realised;
- we may lose key personnel; and
- we may not be able to leverage effectively the Degriftour group's customer and supplier base.

In addition, the attention and effort devoted to the integration of the two businesses may significantly divert management's attention from other important issues, and could have a material adverse impact on us.

If the benefits of the Degriftour acquisition do not exceed the costs associated with the acquisition our financial results could be adversely affected.

Future acquisitions may have an adverse affect on our ability to manage our business

We may acquire companies in the future. As with the acquisition of the Degriftour group, the integration of companies presents challenges and requires significant attention from our management. The diversion of our management's attention and any difficulties encountered in any integration process could have an adverse effect on our ability to manage our business and could increase our losses.

We face intense competition, and if we are unable to compete effectively, we may be unable to maintain or expand our registered subscriber base and we may lose customers

If we are unable to adequately respond to the competitive challenges we face or establish a sustainable competitive advantage, we may be unable to maintain or expand our registered subscriber base and we may lose market share. The markets for the products and services offered on our web site are increasingly competitive. As we compete with various companies across numerous product and service categories, we may be unable to predict or adequately plan for the strategies of our competitors. We may be unable to respond quickly or adequately to the changes in the marketplace brought on by new product and service offerings, the introduction of new web site features and functionality, and the marketing and promotional efforts of our competitors or new competitors. We also expect that we will be continually challenged by new and existing competitors who may have significantly longer operating histories, larger customer bases and greater brand recognition. In addition, our competitors may have significantly greater financial, technical, marketing and other resources than we do. Furthermore, our competitors may be established in a country or market prior to our entry or may replicate and successfully execute a business plan similar to ours. Any of those occurrences may increase our entry costs and decrease our ability to compete effectively.

We compete with both traditional and web-based distribution channels. In the travel industry, we face competition from the airlines, traditional travel agents, such as Trailfinders and L'tur, and on-line travel agents, such as ebookers.com. In the entertainment industry, we face competition from traditional distribution channels, such as venue box offices and ticket shops, and on-line distribution channels, such as Ticketmaster U.K. On-line. In connection with our ability to provide gifts and auctions, we face competition from popular stores, well-known auction houses and well-established on-line vendors, such as eBay and Amazon.com. Although we are not aware of any airlines having decided to concentrate on offering distressed inventory through an Internet-based platform, we are aware of a number of European airlines that have announced initiatives to offer Internet-based travel services. These initiatives could prove a threat to one of our core markets.

If we fail to increase our brand recognition among consumers, we may not be able to attract and expand our registered subscriber and customer base

We believe that establishing, enhancing and maintaining the ''lastminute.com'' brand is fundamental to our efforts to attract customers and to expand our registered subscriber base, especially since there are a number of web sites that offer potentially competing services. Many competing web sites already have well-established brands in on-line services or the travel industry generally. Promotion of our brand may well depend on personal recommendations and repeat business based on our success in providing a high-quality on-line experience supported by a high level of customer service. Our marketing and advertising expenditures may not be effective to promote our brand. Even if recognition of our brand increases, it may not lead to an increase in our registered subscriber and customer base.

We may be unable to acquire or maintain domain names, or prevent third parties from acquiring domain names that are similar to, infringe or otherwise decrease the value of our trade marks and other proprietary rights

We depend on domain names that are consistent with our brand identity to deliver consumers to our web site who are familiar with our brand. We intend to continue to acquire domain names as suitable opportunities arise. We may not be able to acquire or maintain the ''lastminute'' domain name in all countries in which we operate or into which we may seek to expand our operations (see Item 4 — ''Legal Proceedings''). Companies with similar domain names and which offer similar products or services to ours may impair our ability to compete effectively on the Internet or use the lastminute.com brand in one or more jurisdictions and, if our brand name is confused with theirs and their products and services are inferior, may dilute the value of our brand and damage our reputation. Domain names including ''lastminute'', but with differing country modifiers which we would wish to use in some of the countries into which we have and may continue to expand, such as www.lastminute.de in Germany and www.lastminute.nl in the Netherlands, are owned by third parties. The acquisition and maintenance of domain names generally is regulated by applicable laws, as they are applied by the courts, governmental agencies and their designees and Internet regulatory bodies. The system for registration is subject to change as the Internet Corporation for Assigned Names and Numbers (''ICANN'') assumes increased responsibility for that system from Verisign Inc. and the U.S. Department of Commerce and as new registrars are accredited by ICANN. The introduction of a number of new domain suffixes is one change anticipated in the near future. There can be no assurance that our domain names or their value will not be affected by changes related to the registration and protection of domain names. If we were to lose the exclusive right to use our domain names, or were unable to prevent our brand being diluted through the introduction of new domains or the use of similar domains, our Internet sales may be irreparably damaged because customers may be unable to find our web site or may be diverted to other sites. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. Even if we acquire domain names that include ''lastminute'' in the relevant jurisdictions, we may be compelled to use a different domain name than ''lastminute.com.'' Depending on the laws of a particular jurisdiction, we might not be able to make certain offers under the name or domain name ''lastminute.''

If we are unable to protect our intellectual property from copy or use by others, our competitors may gain access to our content and technology

We regard much of our content and technology as proprietary and try to protect our intellectual property rights by relying on trade mark and copyright protection and confidentiality laws and contracts. If we are unable to protect our intellectual property, it would be possible for someone else to copy or otherwise obtain and use our proprietary content and technology without our authorisation or to develop a similar business model independently, which would put us at a competitive disadvantage. There may not be effective trade mark, copyright and confidentiality protection in every country in which our services are made available, and policing unauthorised use of proprietary information is difficult and expensive. For example, French law does not provide for any patent protection for software and know-how.

The steps we have taken may be inadequate to prevent the misappropriation of our proprietary information. Any misappropriation could have a negative effect on our business, our operating results and the value of our brand. Furthermore, in the future, we may need to go to court to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention.

If we are unable to obtain trade mark registrations for the name lastminute.com and prevent third parties from using similar names, the value of our brand may be diminished

We may not be able to obtain trade mark registrations in the European Union and in any of the countries in which we operate or into which we may expand. In addition, there may be substantial delays in obtaining registrations. Our application to obtain registered trade mark protection in the European Union for the name ''last minute'' has met an objection from the European Union trade mark registry that the name is descriptive of our services and other objections may be received from other relevant trade mark registers or third parties. Furthermore, several competitors in relation to their late booking or late purchase services use the term ''last minute.'' These two factors may make it difficult for us to register our name as a trade mark and prevent third parties from using similar names in relation to competing products and services, which may result in dilution or devaluation of our brand.

We may be sued for infringing a third party's intellectual property rights and, if we were to lose our intellectual property rights, we could be unable to carry on our business in its current form or to expand our operations internationally

We could be sued based on a claim that we have infringed the patents, copyrights, trade marks, service marks or other intellectual property rights of a third party. In particular, we are aware of the existence in several jurisdictions of third parties who have company names, trade marks or domain name registrations, which are similar to our name. The existence of these third-party company names, trade marks and domain names may have a material effect on our ability to carry on our present operations, or to expand our operations into those jurisdictions, under the name lastminute.com.

We have not yet launched a U.S. or Canadian version of our web site, although we may do so in the future. The existence of third-party rights in the United States, Canada and some other jurisdictions may prevent us from operating successfully there under our current brand name, as we are aware of a number of third parties who use the words "last minute" in their company or business names or domain name registrations. Some of these third parties have also obtained trade mark registrations incorporating the words "last minute," and it is possible that any of these third parties may sue us for trade mark infringement or related claims.

If we were sued for infringing the trade mark rights or other intellectual property rights of a third party, it may be costly for us to defend these claims and we may have to pay substantial damages and third-party costs as well as our own legal fees, or discontinue any of our operations, including the use of our domain names, which have been determined to be within the scope of the third party's intellectual property rights. Any of these outcomes could have a negative impact on the value of our brand, our operating results, our ability to implement our business plan and our ability to carry on our business in its current form or to expand our business to new markets.

If the growth in the use of the Internet by consumers and businesses for e-commerce does not continue or declines, our business will not succeed and the value of our shares and ADSs will decline

Our future turnover and operating results depend upon the widespread acceptance and use of the Internet and on-line services as a medium for commerce throughout Europe and elsewhere. Rapid growth in the use of the Internet and on-line services may not continue. The growth in use of the Internet by consumers for e-commerce purposes may not continue or use may decline. Demand for and market acceptance of recently introduced products and services over the Internet is subject to a high level of uncertainty.

Our success will depend on the development and maintenance of an infrastructure to cope with the Internet's increased traffic. We believe that a reliable network backbone with the necessary speed, data capacity and security, which may be accessed in a cost effective way, and the timely development of complementary products for providing reliable Internet access and services is essential to the development of the Internet as a vehicle of commerce. Major on-line service providers and the Internet itself have experienced outages and delays. Outages and delays are likely to negatively affect the level of Internet usage and the processing of transactions on our web site.

Consumers may also find that buying products through traditional or other methods may be more attractive or reliable than using our web site.

If we are unable to ensure the security and privacy of the confidential information of our registered subscribers, they may discontinue using our services

Any publicised security problems affecting e-commerce companies could inhibit the growth of Internet-based commerce and, accordingly, cause our registered subscribers to discontinue using our services and inhibit our turnover growth. The secure transmission of confidential information over the Internet and the security of our systems, in general, are essential in maintaining consumer and supplier confidence in our services. We rely on licensed encryption and authentication technology to effect secure transmission of confidential information, including credit card numbers.

There have been instances where unidentified third parties have individually or collectively taken action to deliberately disrupt the operations of major commercial web sites similar to ours. If similar action were taken against our web site, it could limit our ability to operate our web site and damage the systems we use to operate our business, which could have a negative impact on our reputation and our turnover. A party that is able to circumvent our security systems also could steal proprietary information. Security breaches also could expose us to a risk of loss or litigation and possible liability. Under current credit card practices, we may be held liable for fraudulent credit card transactions and other payment disputes with customers. In the event of a security breach, the extent to which we may be able to claim against our firewall provider for any losses suffered by us arising out of a failure of our firewall, which is a network device that separates the public Internet from the private network to allow the enforcement of data security policies, is limited and may be insufficient to repair our computer systems or recover our losses.

Government regulation relating to e-commerce may restrict our ability to collect and use data that is of commercial use to us

We may face restrictions on our ability to collect and use personal data and possible civil and criminal sanctions for its unauthorised or improper use

The European Union has adopted a directive which imposes restrictions on the collection, use and processing of personal data. Pursuant to the directive, we will need to ensure that we use personal data in the most commercially beneficial way within the provisions of applicable data protection legislation. We currently do this through our registration process and privacy policy, but we may be unable or it may be impractical to obtain the required consents in the future and this may limit our ability to use personal data.

The directive has been implemented in the United Kingdom through the Data Protection Act 1998, which came into force on March 1, 2000. It has not yet been implemented in some other EU member states in breach of EU requirements. To the extent that existing data protection legislation in those non-compliant member states conflicts with the directive, the provisions of the directive will prevail.

Furthermore, member states have discretion in the implementation of some provisions and any resulting laws may vary to a substantial extent from country to country. We may therefore be obliged to comply with different legislative requirements which could have an impact on our ability to collect and share data with third parties, such as advertisers or suppliers. These requirements could restrict our ability to capture and use data that is of commercial value to us. Failure to comply with data protection legislation in the countries where we operate may leave us open to criminal and civil sanctions. If we breach applicable data protection legislation, we may be subject to claims from our users claiming that we have infringed their privacy, and we could face administrative proceedings initiated against us by the applicable data protection regulatory authorities. In certain jurisdictions, the regulatory authorities have the authority to levy substantial fines for breaches of applicable interest.

If we are unable to use "cookies", we may be unable to provide targeted offerings

Cookies are pieces of information sent by a web server to a web browser that the browser is expected to save and which can later be used to identify a user. Web sites typically place cookies on a user's hard drive without the user's knowledge or consent. We use cookies for a variety of reasons, including collecting data derived from the user's activity while visiting our web site, and we currently require users to enable the usage of cookies before they can make purchases from our web site. However, most currently available web browsers allow users to remove cookies at any time or to prevent cookies from being stored on their hard drives. Also, users accessing web sites using their employers' computer systems may be restricted in their ability to receive and store cookies by virtue of their employers' security policies. In addition, there is legislation in certain jurisdictions such as data protection legislation in the United Kingdom, and there are proposals in others, restricting the use of cookies. Any reduction or limitation in the use of cookies could limit the effectiveness of our sales and marketing efforts.

Due to our presence on the Internet and operation as an e-commerce web site we may be open to civil and criminal sanctions in numerous jurisdictions

E-commerce is new and rapidly changing, and regulation relating to the Internet and e-commerce is new and evolving. The European Union has recently adopted a directive dealing with certain aspects of electronic commerce such as liability for intermediate service providers and electronic contracting and has adopted another directive dealing with electronic signatures. We will need to comply with certain aspects of the directive on electronic commerce, such as information that will need to be provided to consumers in conducting e-commerce, when it comes into force (expected in January 2002). The European Union's distance selling directive is also applicable to e-commerce and is already required to be implemented by the member states of the European Union. The United Kingdom implemented this as the Consumer Protection (Contracts Concluded by Means of Distance Communication) Regulations 2000, which came into force on October 30, 2000. These regulations provide for certain information to be provided to consumers prior to and after concluding a contract over the Internet and further provide consumers with a cooling off period with respect to the purchase of certain goods and services. It is possible that additional laws will be enacted in respect of the sale of goods and services over the Internet, such as tougher consumer protection laws, which could reduce the rate of growth of e-commerce and could harm our business both directly and indirectly.

France has recently adopted several laws that include provisions specific to Internet and e-commerce such as provisions dealing with the liability of access providers or host providers and provisions dealing with electronic signatures as well as provisions dealing with auction sales of certain types of goods on the Internet. There are a number of other laws and regulations that also indirectly affect e-commerce such as the regulation on encryption or more generally consumer protection (such as the use of the French language and the regulation of distance selling), commercial law (such as the regulation of advertising, pricing and sales practices, lotteries and games), or regulated activities (such as the regulation of travel agencies) that may place constraints on the integration of the business.

Due to the global nature of the Internet, it is possible that, although the servers and infrastructure used to provide our services are based in the United Kingdom and transmission by us of the content over the Internet originates primarily in the United Kingdom, the governments of other countries might attempt to regulate the content of our web site or transmissions using our services or might prosecute us for violations of their laws. Any legislation or regulation prescribing the content of our web site or transmissions, the application of existing laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of laws and regulations to the Internet and other on-line services could make it difficult for us to operate our business. Failure to comply with relevant Internet and e-commerce legislation or regulation may leave us open to civil and criminal sanctions.

In addition, the EU Council of Ministers adopted a regulation in December 2000, due to enter into force on March 1, 2002, regarding the jurisdiction, recognition and enforcement of judgements in civil and commercial matters. This is likely to mean that consumers party to on-line contracts will in many cases be entitled to sue in their own jurisdiction irrespective of the location of the contractual counter-party. This is likely to substantially increase costs in the case of litigation, and may have an adverse impact on the development of e-commerce in Europe as a whole.

Under French law, if a web page can be viewed in France, any potential offence which arises out of this web page will be subject to the jurisdiction of the French courts and French law. Recently, Yahoo Inc., an American company, was obliged by a French court to restrict access to some of its pages because they infringed French law, notwithstanding the fact that the pages were hosted outside France.

Furthermore, in many jurisdictions, marketing and advertising are heavily regulated. Applicable laws in some jurisdictions impose more restrictions on the methods and terminology used to approach prospective customers in relation to the products and services offered. For example, in its report of July 2, 1998 on the Internet and digital networks, the *Conseil d'Etat*, France's highest administrative tribunal, specifically stipulated that the Internet should be considered as advertising space and that existing legal rules should be applied. These rules encompass a wide range of areas, such as rules on the protection of minors, the nature and content of advertising, the regulation of unsolicited email, and the *Loi Toubon* on the obligation to use the French language.

These regulations are applicable to web pages, as well as banners, e-mail, icons, sound, text, pictures and even hypertext links. As a result of this type of regulation, we may have to rely on more conservative marketing methods, may not be able to maintain or increase our market share in those countries or may have to discontinue some of our offerings.

We may be subject to litigation for content provided or representations made on our web site, which may be costly and time-consuming to defend

Because users may access content on our web site, download our content and transmit it to others over the Internet, we may be subject to intellectual property infringement claims against us as content service providers. Any claims, with or without merit, could:

- be time-consuming to defend;
- result in costly litigation; or
- divert management's attention and resources.

Our web site contains links to other web sites, which may contain links to further web sites. As a result, we may be subject to claims alleging that, by directly or indirectly providing links to other web sites, we are liable for intellectual property right infringement or the wrongful actions of third parties through their web sites. Due to the combination of windows, deep links and hyperlinks, there is a risk that users will consider us the direct supplier of products and services advertised and offered by our partners on our site.

In addition, successful actions for defamation have been brought against service providers in the past in the United Kingdom, the United States and other jurisdictions in which we operate or may operate in the future. It is also possible that if any information, accessible on our web site, contains errors or false or misleading information, or if we are negligent in providing information, third parties could take action against us for losses incurred in reliance on such information.

Our general liability insurance will not cover all potential claims of third parties to which we are exposed.

Declines or disruptions in the travel industry generally could reduce our turnover

A large part of our business is currently driven by the trends, including seasonal fluctuations, which occur in the travel industry, including the airline, hotel and package holiday industries. As with the other products and services we offer, the travel industry is highly sensitive to business and personal discretionary spending levels, and thus tends to decline during general economic downturns. In addition, other adverse trends or events that tend to reduce travel are likely to reduce our turnover including:

- increased prices in the airline, hotel or other travel-related industries;
- shortages in the supply of tickets offered due to unusually high demand;
- increased occurrence of travel-related accidents;
- airline or other travel-related strikes;
- political instability;
- regional hostilities and terrorism; and
- poor weather conditions.

We could be severely affected by changes in the travel industry, and, in many cases, will have little or no control over those changes. In addition, given the recent alliances forming in the travel industry among airlines and hotels, it is possible that major airlines and hotels not participating in our service could exert pressure on other alliance partners not to supply us with airline tickets or hotel bookings. In the alternative, the alliance partners could establish their own buyer-driven, e-commerce web sites or other similar services to bundle their branded or unbranded products. If any of these events were to occur, they could have a negative effect on the breadth of products and services we offer and our turnover.

If either we or our third-party ticketing agents lose our licences, we may experience temporary difficulty in furnishing tickets to our customers

In certain jurisdictions, we use third-party ticketing agents to furnish our customers' airline tickets for flight reservations made through our web site. Each country where we operate has its own travel agent licensing requirements that either we or, depending on the jurisdiction, our ticketing agents must meet to operate as a travel agent and to furnish airline tickets. If either we or any of our third-party ticketing agents were to lose the relevant licences or accreditations, we may not be able to furnish tickets to our customers until we located a substitute agent to provide ticketing services. Furthermore, the terms and conditions of any substitute arrangements may not be on the same terms or on terms as favourable as our current arrangements.

In the future we may need to raise additional capital in order to remain competitive in our industry, and this capital may not be available on acceptable terms, if at all

If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds to fund our growth, develop or obtain new or enhanced technology or competitive pressures.

We currently do not have commitments for additional financing. We cannot be certain that additional financing will be available in the future on acceptable terms or at all. If we raise additional funds by issuing equity or convertible debt securities, the percentage ownership of our shareholders will be diluted. Any securities could have rights, preferences and privileges senior to those of our shares and ADSs. If adequate funds are not available or are not available on acceptable terms, we may not be able to fund our expansion, take advantage of unanticipated acquisition opportunities, enhance services or products or respond to competitive pressures. Such inability could have a material adverse effect on our business, results of operations and financial conditions.

Our approaches to these risk factors are discussed in more detail within Items 4, 5 and 11 below.

ITEM 4. INFORMATION ON THE COMPANY

History and Development of the Company

Last Minute Network Limited was incorporated in England and Wales on April 1, 1998 as a private limited company. lastminute.com plc was incorporated in England and Wales on October 1, 1999 as a private company with the name Vibetron Limited, which has been changed to lastminute.com Limited, and an authorised share capital of 100 ordinary shares nominal value £1.00, of which two were issued. On February 15, 2000, we completed our share capital reorganisation, involving:

- an increase in our authorised share capital;
- a bonus issue of ordinary shares in Last Minute Network Limited; and
- the exchange by our shareholders of their ordinary shares, Preference A shares and Preference B shares in Last Minute Network Limited for equivalent shares in us having the same rights.

On February 24, 2000, we re-registered as a public limited company and changed our name from lastminute.com Limited to lastminute.com plc.

The conversion of our Preference A shares and Preference B shares into ordinary shares happened upon the closing of our initial public offering on March 21, 2000.

We completed the acquisition of the Degriftour group of companies on September 30, 2000. The aggregate consideration for the acquisition included the issue of 19.7 million new ordinary lastminute.com plc shares.

For a description of our principal capital expenditures and divestitures, please see Item 5.

Business Overview

We currently offer our customers last minute opportunities to acquire airline tickets, hotel rooms, package holidays, car hire, entertainment tickets, restaurant reservations, gifts, and auctions in the United Kingdom, France, Germany, Italy, Spain, Sweden, The Netherlands, Australia and South Africa. Our strategic objective is to create the global marketplace for last minute services and transactions. We believe that our customers buy from lastminute.com because we offer:

- real-time access to attractively priced, last minute deals, including some of the lowest prices on many travel and entertainment deals;
- the convenience of a broad range of attractive packaged or individual offers our customers can access quickly and with minimal effort; and
- the benefit of our ideas — we believe we have a reputation for offering our customers novel and distinctive products that inspire them to try something different.

Although our registered subscribers may make a purchase by telephoning us directly, our service is based on the utilisation of on-line distribution platforms including the Internet and our web site. For the year ended September 30, 2000 approximately 83% of purchases originated over the Internet. For the quarter ended December 31, 2000, following the acquisition of the Degriftour group, 81% of purchases originated over on-line distribution platforms (December 31, 2000 numbers include Minitel sales by the Degriftour group). At December 31, 2000 we had over 2.8 million registered subscribers, including over 1.7 million in the United Kingdom and over 1.1 million internationally, and had served over 230,000 customers. In the three months ended December 31, 2000 we sold 160,819 items. The number of customers is the cumulative number of customers (excluding repeat customers) since our inception and the cumulative number of Degriftour's customers (excluding repeat customers) since October 1, 2000. Customers are defined as individuals who have purchased goods over lastminute.com's and Degriftour's platforms. An item sold is an individually priced product purchased by a customer. Our registered subscribers do not pay to register for our services.

The lastminute.com Solution

In developing the concept of using the power of the Internet to match supply and demand at the last minute, we believe that we have created an exciting opportunity for both suppliers and consumers. We have created a means to offer suppliers a viable alternative distribution channel that does not threaten their core businesses, at the same time offering customers access to a wide range of last minute products from a large number of unrelated suppliers and databases at attractive prices, which are often lower than the lowest available fare for bookings made off-line. Unlike other e-commerce companies that have pasted an existing framework designed for the physical world into a digital environment, we believe that we have constructed a business model that could happen only through digital distribution, as we believe that it is not currently possible for our competitors to replicate our business model off-line.

The lastminute.com Growth Strategy

We have identified a number of critical initiatives, which we intend to undertake in order to enhance our market position further. Broadly, these initiatives focus on:

- **Strengthening our Product Offering.** In order to provide a wider range of last minute solutions to our customers, we must continue to broaden our offering across all categories. We gather customer feedback about the most appealing products offered on our web site. We plan to expand our offerings aggressively in light of this market feedback. In addition, we may expand our web site to include related products beyond those which we currently offer. In addition to sales of our suppliers' distressed inventory, we intend to expand our sale of full price items so that our web site becomes the global marketplace for all last minute needs, catering to customers looking for last minute convenience or inspiration, as well as those interested in lower prices. However, we are unable to predict whether we will succeed in increasing full price sales or what proportion of turnover these products will account for. In addition, we expect to continue to develop our choice and volume of travel destinations. In order to strengthen our position as a provider of last minute solutions, we intend to develop the capability to offer air tickets to almost any destination by including air travel offers beyond those that we independently source directly from suppliers. We expect to build this capability either through in-house development or through potential acquisition. In either case, we expect to add price and availability information from ticket consolidators and airlines and aggregate the content into a searchable database.
- **Deepening Supplier Relationships.** At December 31, 2000 we had approximately 9,200 individual supplier relationships. An important element of our success has been our ability to demonstrate to our suppliers that we are able to sell their excess inventory. We intend to leverage our strong track record to maintain the relationship with industry leaders across all categories and we will concentrate on deepening our relationships with key suppliers.
- **Expanding into Other Countries.** During 2000, we successfully launched Swedish, Dutch, Italian and Spanish versions of our web site and completed the acquisition of the Degriftour group, one of France's largest e-travel groups (based on 1999 web-based revenues). In August 2000, we launched a fully localized Australian version of our web site in partnership with our joint venture partner for Australia and New Zealand, travel.com.au. A joint venture agreement was signed for an operation in South Africa in May 2000. We are exploring opportunities to expand our business into other markets, including Asia and the United States, and may take advantage of opportunities when, and if, a suitable business partner or model is available. We may pursue this expansion through acquisitions or otherwise. As we expand into other countries, we intend to acquire additional domain names and the cost of these domain names may be material.
- **Developing New Distribution Channels.** The increased use of the Internet to distribute content through alternative platforms, coupled with the rapid increase in the use of mobile devices in our core target market, presents attractive opportunities for us. Last minute deals and offers are an ideal application for these new channels. We have targeted, and will continue to target, alternative platforms to reach our high-end customers. Although Minitel access will remain an important part of our French business, we are particularly focused on new distribution channels, such as mobile phones which use

Internet applications, allowing a mobile phone user to access the Internet using a mobile phone handset; mobile phones using short message service, allowing short text messages to be sent to the handset of a mobile phone user; interactive digital television; and popular personal digital assistants, such as Palm Pilot and Psion. We are also launching a voice recognition platform, which we believe to be a strategic breakthrough. To date, we have experienced limited sales through these new distribution channels.

- **Increasing Brand Recognition.** We believe that we have been successful in building strong brand recognition across Europe. During the quarter ended September 30, 2000 we continued our off-line brand building campaign and launched a new advertising direction in the United Kingdom with a consumer-centric campaign on the theme of ''Making Every Minute Count.'' We continue to use a wide range of media aimed at speaking to people when they will be most receptive to the lastminute.com message.

- **Enhancing Technology.** We continue to invest in three key technology areas: (1) improved connectivity into supplier databases, allowing a wider product range and more detailed and timely information about products; (2) increased and enhanced functionality for users of our web site; and (3) a system that can readily handle the rapidly rising number of transactions in the United Kingdom and elsewhere. We frequently update and enhance the features of our service to improve further our customers' experiences on our web site. As part of the effort to achieve these goals, we introduced a new three-tier architecture for our web site in October 2000.

- **Developing the lastminute.com Site Content.** We are seeking to develop the informational content on our web site. We have hired a content editorial team that writes copy and sources third-party content for our web site to give our visitors access to information about every destination, tour package, accommodation, restaurant or gift featured on our web site. In addition, we have created a customer-generated content area and we encourage customer feedback. We intend to expand on this feature of our web site, so that registered subscribers will be able to provide reviews of specific destinations, accommodation or events that will be available to all visitors to our web site.

- **Further Strengthening the Management Team.** We believe that we have been successful in hiring highly talented and motivated people. We are in the process of recruiting additional personnel at all levels in conjunction with our expansion program.

Our Offering

At December 31, 2000 we had secured relationships with approximately 9,200 suppliers, including individual airlines, hotels, package holiday suppliers, car rental companies, entertainment vendors and restaurants.

Our key supplier relationships include:

- **Airlines.** Alitalia, British Midland, Iberia, Japan Airlines, Lufthansa, United Airlines and Virgin Atlantic Airways;

- **Car Rentals.** Holiday Autos;

- **Hotels.** Bass Hotels and Resorts, Forte Hotel Group, Golden Tulip Hotels, Kempinski Hotels and Resorts, Millennium and Copthorne Hotels, Sol Meliá Hotels and Resorts and Starwood Hotels and Resorts Worldwide;

- **Tour Operators.** British Airways Holidays, Cosmos, Inghams, Kuoni Travel and Thomas Cook Holidays and companies within the Thompson Travel Group;

- **Entertainment.** English National Ballet, London Sport, London Dungeon, SFX, The Really Useful Group, The Royal Albert Hall and the Tate;

- **Restaurants.** A-Z Restaurants, Groupe Chez Gerard, Conran Restaurants and Hartford Group, and OpenTable.com, a U.S.-based on-line restaurant reservation network; and

- **Gifts.** Bodum, 0800 Blossums, BT Cellnet, Columbia Tristar, Sony, Movietrack and The House of Chocolate.

We initially focused on marketing the inventories of travel, entertainment and gift vendors. We chose these areas because they are ideally suited to last minute buying. We provide airlines, hotels, tour operators, event promoters, restaurants and gift suppliers with a viable channel to distribute excess inventory at short notice. With perishable inventories, suppliers face increasing pressure to sell merchandise as time passes. However, we believe they are reluctant to re-price last minute offers for fear of undermining their core businesses, fare schedules and brands. We effectively create targeted demand and, where requested by the supplier and where permitted by law, protect the supplier's brand by shielding its identity until after the sale is closed and also by providing a distribution channel distinct from its own. As a result, we help suppliers manage and distribute their inventories more efficiently, while consumers benefit by gaining access to good value at the last minute. Much of the value that we create lies in the processes that we have developed with our suppliers. We have consistently sought to protect our suppliers' identities when necessary by listing generic, unbranded offers. Furthermore, to facilitate long-term relationships with our suppliers, we have developed automated links to communicate with our suppliers' proprietary databases.

Our strategy is to expand our product offering across all categories, while reducing the overall percentage of revenues directly derived from travel services.

Travel Services

Flights. One of the initial services we offered to our customers and suppliers was the marketing and sale of airline tickets. The facilitation of airline travel still remains a fundamental part of our operations. We have introduced premium air travel offers on our web site and, in response to customer demand, began sourcing business-class tickets for a range of airlines.

We have cultivated supplier relationships with major international scheduled airlines including Alitalia, British Midland, Iberia, Japan Airlines, Lufthansa, United Airlines and Virgin Atlantic Airlines. Our airline suppliers service the most popular destinations for world travellers.

As a result of our relationships with the airline suppliers named above we have been able to sell net fares on our web site. Net fares are airline fares where distribution costs have been reduced or eliminated, allowing us to offer some of the lowest fares available. The net fares are provided to us by the airline immediately prior to the period in which they are applicable.

Hotels. In addition to the sale of airline tickets, we believe that lastminute.com has also been a valuable distribution channel for many of the world's leading hotels. We have cultivated relationships with many selected, quality hotels in the United Kingdom, France, Germany, Sweden, Italy, Spain and The Netherlands. We have also established a wide network of hotels in many popular destinations, including Amsterdam, Madrid, New York, Brussels and Vienna. As we expand our operations into new countries and regions throughout Europe, we expect to continue forging relationships with local hotels so that we may expand our inventory of hotel rooms and the choice we can offer to our customers. Our knowledge of local markets, as is the case in the United Kingdom, France, Germany, Sweden, Italy, Spain and The Netherlands allows us to furnish our customers with the most appropriate hotel for their particular tastes and budgets.

We have entered into arrangements with individual hotels or hotel groups throughout Western Europe, North America, Central America, the Middle East and Asia. We have supply contracts for last minute inventory with selected hotels that are members of the world's major hotel groups, including Bass Hotels and Resorts, Forte Hotels, Kempinski Hotels and Resorts, Millennium and Copthorne Hotels, Sol Meliá Hotels and Starwood Hotels and Resorts. We have relationships with local hotels in the United Kingdom, including English Lakes Hotels, Grange Hotels and Thistle Hotels, and in France, including Carlton Intercontinental and Hôtel de Crillon and Prince de Galles. We have also entered into relationships with several premium properties in London. Furthermore, we have sourced offers from individual small hotels and hotel groups in the United Kingdom and other European countries in which we operate.

Generally, our hotel suppliers agree to refrain from offering hotel rooms at lower prices than are offered to us. The rates offered to us by our suppliers are not exclusive and may be available through other vendors pursuant to discounts or special promotions.

Package Holidays. We work with a selection of high-quality package tour operators to offer package holidays, which bundle transportation, which may include charter flights, with accommodation. The type of package holidays we offer include "City breaks" to locations like New York, Barcelona and Paris, holidays to destinations like Egypt, Israel and the Maldives and, via our "Skiing is Believing" web page, holidays to ski resorts such as Courchevel, Meribel and Canada.

Our package holidays are sourced in three ways, in order to offer our customers a wider selection: (1) directly sourced from our tour operators; (2) jointly sourced with Apollo Travel Limited; and (3) sourced from our feed into the Comtec database. Our users have the option of taking advantage of the package holidays we have assembled or conducting a search for a customised package holiday based on their travel preferences, such as specific dates, particular destinations or particular weekends.

Our package holiday service provides us with an additional way to handle excess inventory from flight and hotel operators and to create additional value for our customers and us by bundling the products we offer.

We work with a selection of high-quality package tour operators. Our package holidays are organised and supplied by a range of reputable operators, including British Airways Holidays, Kuoni Travel and Thomas Cook Holidays. Our letters of understanding generally provide for notification to us if the holiday is offered at the same discount elsewhere; a guaranteed allocation of products to us; details of the supplier's booking conditions via e-mail; and the basis on which we receive our commission. These suppliers have agreed to refrain from offering their products at lower prices than are available through us. In other words, the rates offered to us by our suppliers are not exclusive and may be available through other vendors pursuant to discounts or special promotions.

Leisure

Entertainment. We source entertainment tickets that fall into either of two categories: tickets to premium events, which are often unavailable, and tickets that can be offered at a discount as part of special promotions. Our strategy has been always to attract customers to our web site by giving them access to the largest events, which may otherwise be sold out at the last minute. Our relationships with suppliers in the United Kingdom and internationally assist us in obtaining difficult-to-get tickets.

While we currently provide a wide range of entertainment options for our users, we continually aim to enhance the current range of entertainment offered and, in response to our customer feedback, we have introduced a new sub-category focusing on regional and international sporting events, such as tickets to pan-European soccer matches, championship boxing matches, National Football League games in the United States and other similar high-profile events. We believe that our ability to source tickets to regional and international sporting events provides us with an opportunity to sell other products and services we offer, such as flight reservations and hotel accommodation.

We have established relationships with key entertainment suppliers, including the Royal Albert Hall, English National Ballet and the Really Useful Group in the United Kingdom, and Corida and Garance in France.

We have entered into supply agreements with both large ticket providers, such as First Call, and local venues, such as the Royal Albert Hall. In addition, we also deal directly with particular entertainment companies, such as the English National Ballet. The terms and nature of our agreement with each of the entertainment suppliers named above include a determination whether we are to act as agent or cash-collector; an agreement that the supplier will handle ticket distribution; and an agreement concerning our fee or commission rate.

In addition, excluding our agreements with the Royal Albert Hall, Corida and Garance, each of the entertainment suppliers named above has agreed that the offerings made available to us on our web site are exclusive to us, while displayed on our web site. In some cases, we purchase entertainment tickets for resale on our web site. In those instances, we act as principal and the entire value of the transactions represents turnover.

Restaurants. In 2000 we launched ''Restaurants'' as a new product category to complement our existing leisure offering. Our ''Restaurants'' page on the U.K. and French web site allows our users to view table availability and make reservations at restaurants in the United Kingdom and Paris, receive special offers from participating restaurants and provide feedback on their dining experiences.

We allow users to search for available restaurants which best suit their needs based on the size of the party, the date and time of the reservation, the location and the type of cuisine. Once a user chooses a restaurant, we provide brief summary details about the restaurant, a selection of available times in order to make the reservation and the opportunity to book the reservation. We do not charge our customers to make reservations, as currently we collect fees from restaurants on bookings made through our web site.

We have entered into supply agreements with both restaurant chains, such as Conran Restaurants, as well as individual restaurants, such as Duemila in London. The terms and nature of our agreements with restaurants generally include an agreement that the supplier will provide us with a flat fee earned by table cover.

In August 2000 we entered into a reciprocal deal with OpenTable.com, a U.S.-based on-line restaurant reservation network. The terms of the agreement provide that we will offer on-line reservations at restaurants in the United Kingdom and Paris to OpenTable.com members and, at the same time, enable our subscribers to make dining reservations at member restaurants in the United States.

Gifts

The types of gifts that are offered on lastminute.com range from gift vouchers for exciting excursions, such as skydiving, to food hampers. We allow gift suppliers to take advantage of our distribution channels and we provide a presence on the Internet for suppliers that do not have one. We believe that in order for us to offer a complete and convenient solution to our customers, we must add value to their shopping experience. We strive to add value by having a well-organised marketplace where we can offer quality products at attractive prices.

We have identified on-line and off-line gift suppliers that can deliver premium and discount products quickly. Some of our most popular gift items are excursions, such as balloon rides, which are supplied by a wide variety of vendors. Our gift suppliers also include large vendors, such as Bodum and smaller speciality retailers, such as The House of Chocolate.

Our letters of understanding with the gift suppliers named above request the suppliers to commit to: the payment of our fees or commissions in respect of the sale; handling of all customer service and fulfilment of the orders; providing us with adequate product information; and offering us exclusive and special offers from time to time. Our gift suppliers named above have also agreed to offer our customers the most ''compelling'' price available, meaning that our suppliers offer attractive and competitive prices to us and our customers, although the prices may not be exclusive and may be available through other avenues. Furthermore, we have agreed to promote the suppliers within the gifts section of our web site, using graphical branding, individual product promotion, text and a recommendation. We have agreed with The House of Chocolate to promote its products on each local version of our web page. In addition, we seek assurances from our gift suppliers that they will deliver their products to our customers in a timely manner.

Auctions

Another feature of our web site is our ''Auctions'' page. Our implementation of the auction feature underscores our recognition that the Internet is an ideal vehicle to market and distribute scarce and distinctive goods, which may be made available to us prior to becoming available to the general public. Our on-line auctions also provide another channel for our suppliers to move excess inventory. We believe our ''Auction'' capability is another valuable tool we provide to our suppliers for inventory control and yield management. We may act on an agent or cash-collector basis with respect to auctions on which we receive commissions, depending on the supplier, and in very limited instances we may act as principal in respect of an auction.

The products available at auction on lastminute.com are all provided by professional suppliers and include offers for a wide range of budgets. In order to place a bid in one of our auctions, the user must enter a bid for a particular item and, where the number of available items exceeds one, the quantity of the item bid for.

Unique Offerings

In addition to those products mentioned above, we give our users the opportunity to take advantage of novel product and service offerings. We have therefore created a number of ''inspirational' sections. These may pool products together under a common theme or event, e.g. Easter, Mother's Day, St. Patrick's Day or Fully Booked, a web page that offers our customers the ability to take advantage of access to exclusive or otherwise sold-out travel destinations, hotel accommodation, events, gifts and restaurants.

International Expansion

Our web site was launched in the United Kingdom in October 1998. We launched localised versions of our web site in France in September 1999, in Germany in October 1999, and in Sweden in December 1999. An Australian version of the web site was launched in August 2000 in conjunction with travel.com.au, the joint venture partner for Australia and New Zealand. A further joint venture agreement was signed for an operation in South Africa in May 2000. Under the joint venture agreements, we have agreed to provide services to the joint venture, including designing and hosting the joint venture's web site, as well as a trademark license and leverage of our worldwide supply. In December 2000 we further expanded our European presence to a total of seven countries with the official launch of web sites in Italy, Spain and The Netherlands. We have targeted countries based on overall e-commerce readiness, population size and strategic importance to lastminute.com. While we are continually evaluating opportunities for further expansion, our current focus is on the consolidation of our existing operations.

We have recruited local management, established our operational structure and developed new marketing relationships. As part of our continued international expansion, our supplier relations team has built partnerships with local travel, entertainment and gift vendors in each country. As a result, we now have access to inventory from a range of airlines, hotels, event promoters and gift vendors from multiple countries to offer on our web site. Our acquisition of the Degriftour group of companies resulted in access to their extensive supplier base in France. Our ability to promote our offers across geographical regions creates network benefits for our web site. For example, allocations of premium French resort reservations can be offered on the U.K. and other European versions of our web site. Using our web site, a consumer located in France has the ability to access the product and service offerings in the United Kingdom to make transportation, accommodation, restaurant and theatre reservations for a trip to London. Local relationships enrich the total range of lastminute.com product and service offerings and will provide a larger, pan-European registered subscriber base for our suppliers and a broader and more appealing selection for our users. We may also tailor our web pages to attract users from countries outside of those where we currently have a presence, for example, we may create a web page designed to attract users based in the United States who may be travelling in Europe.

A number of factors have contributed to our rapid international expansion: (1) we were able to cite our strong track record in selling inventory in a number of European markets; (2) our supplier relationships are expandable on a pan-European basis, such as through relationships with international scheduled airlines and hotel chains; (3) we have focused our marketing efforts on establishing strong brand names; and (4) international operations have leveraged our core technology infrastructure, including web technology, database systems and technical support personnel. Our management believes that these factors should enable us to outpace our competitors when entering new markets.

Alternative Distribution Channels

Our strategic aim is to be able to provide consumers with access to last minute opportunities wherever they are. We believe the increasing distribution of the Internet and its contents through alternative platforms presents attractive business opportunities for us. To date we have focused on companies in the interactive television, mobile telephone and personal digital assistant markets and have entered into agreements with the following platform providers:

Alternative Platform — Distribution Agreements

Interactive Television	Mobile Telephone/WAP Portals	Personal Digital Assistants
ntl	BT Cellnet	PalmPilot
Cable & Wireless Communications(1)	Bouygues Telecom	Psion Organiser
Telewest	Deutsche Telekom	ipaq
Television par Satellite	Excite Mobile	Viser
	France Telecom	
	Mviva	
	One2One	
	Orange	
	Vodafone	

(1) The cable television assets of Cable & Wireless Communications Limited were acquired by ntl in May 2000.

We recognise that different distribution channels will have different customer profiles, purchasing dynamics and technology characteristics. As a result, while we utilise the same database as our web site, we have adapted the user interface for use on the various platforms. For example, we have developed a new site design for our interactive digital television partners, taking into consideration the nuances associated with the medium of television and accessing our service from a living room environment.

Recent Developments

Acquisitions — The Degriftour group

On October 23, 2000, we formally completed the acquisition of the entire issued share capital of the Degriftour group, one of France's largest e-travel groups. Effective control of Degriftour passed to us on September 30, 2000.

On August 11, 2000 we, together with our French subsidiary Last Minute Network S.A.R.L., entered into an agreement to purchase the total share capital of the Degriftour group with Francis Reverse, Pierre Henri Alzon, Pierre Jacque Alzon, Philippe Merlhiot and Frederic Battut and their respective spouses and children as sellers of the Degriftour group. On October 23, 2000, the date of formal completion, we paid as part consideration £21,108,496 in cash. On the same day, 19,700,000 ordinary shares of 1p each were issued at a market value of £1.39 also in consideration for that acquisition. Deferred compensation for the acquisition is payable in the amount of €10,000,000. Degriftour's trademarks were assigned to us prior to completion in certain trademark assignments between us and Pierre Henri Alzon, Francis Reverse and the Degriftour group. Pursuant to these trademark assignments, all trademarks currently licensed by Francis Reverse and Pierre Henri Alzon to the Degriftour group and used by the Degriftour group were sold directly to Last Minute Network S.A.R.L. The sellers of the Degriftour group delivered, as security for potential claims against them under the acquisition agreement, a first demand bank guarantee for an amount equal to 70% of the closing price of our ordinary shares on the day immediately preceding the date on which any demand is made under the guarantee, as well as a further guarantee for an aggregate sum of €7,000,000. The former guarantee will expire in May 2002, the latter will only become effective in April 2002 and will expire, subject to limited exceptions, in November 2003. Francis Reverse, Pierre Henri Alzon, Pierre Jacque Alzon, Philippe Merlhiot and Frederic Battut and their respective spouses and children, who received our ordinary shares pursuant to the acquisition of the Degriftour group, may not, subject to certain limited exceptions, dispose of their interest in any of the shares until April 23, 2002.

Launched in 1991 by Francis Reversé (then a director of Degriftour) as a ''last minute'' retailer of unsold travel products at discounted rates over the Minitel system, the French teletext service set-up by the French state, the Degriftour group has grown rapidly diversifying its offerings across travel and non-travel products and, in early 1996, extended its sales reach onto the Internet. For the six months ended September 30, 2000 and the quarter ended December 31, 2000 approximately 60% and 68%, respectively, of the total transaction value was originated over the Internet (compared to approximately 50% for the financial year ended March 31, 2000), with the balance represented by Minitel. Degriftour expects business sourced from the Internet to continue to grow but with this being offset by a gradual decline in business sourced from Minitel.

The Degriftour group has relationships with more than 6,000 suppliers, comprising tour operators, airlines and hotels and since April 1, 1998, the date of incorporation of lastminute.com, the Degriftour group has transacted approximately 250,000 orders. Approximately 90% of customer bookings are products booked no more than 30 days in advance.

For the financial year ended March 31, 2000, the Degriftour group generated total transaction value of FRF 548.8 million (£51.4 million) and gross profit of FRF 98.2 million (£9.2 million). Compared to the year ended March 31, 1999, these represented increases of 30.5% and 16.4%, respectively. As at March 31, 2000, the Degriftour group's cash balance stood at FRF 69 million (£6.5 million) and its net assets were FRF 17.5 million (£1.6 million).

Pro forma total transaction value and pro forma gross profit, as if the Degriftour group had been part of lastminute.com for the full year ended September 30, 2000, was approximately £91 million and £12.7 million, respectively.

The integration process is already underway. To cross sell across the two customer bases, the two web sites have been linked with lastminute.com being immediately visible to Degriftour group visitors and vice versa. All travel products are hosted from co-branded web sites and lastminute.com visitors have access to Degriftour's full service travel engine. The Degriftour management team is now leading the enlarged French operation and the relocation of staff has already taken place with lastminute.com and Degriftour staff working in integrated teams.

Further Developments

Subsequent to the year end we announced our intent to introduce an interactive voice recognition system to enable our customers, even those who do not use the Internet, to access our database of products over the telephone without the need for an operator. We have entered into a number of partnerships to create this new portal, including partnerships with Nortel Networks, Syncordia Solutions, Nuane, and the Centre for Communication Interface Research at the University of Edinburgh. We launched this service on a trial basis in December 2000.

We believe creation of a new customer shopping portal by using voice recognition technologies to be a European first. Although we are still evaluating future uses for the system, we believe that this new voice recognition system will help to broaden our customer reach and effectively create a new revenue channel. This initiative is part of our multi-platform strategy.

In October 2000 our joint venture lastminute.com South Africa (pty) Limited was incorporated. Further details of the joint venture are given in note 15 of the notes to the financial statements.

On October 11, 2000 our board announced the appointment of Allan Leighton as our Chairman.

Subsequent to the year end we introduced a new three-tier architecture that should be expandable as we continue to grow our traffic and transaction levels. For further information on our technology architecture, please refer to ''Technology'' below.

Our Web Site

In order to develop the lastminute.com community, we are improving the informational content of our web site. We believe content should enhance our web site's ability to attract and retain users, strengthen our identity and increase the sales of products through our web site.

One of our key objectives is to increase our sales by ensuring the quality and accuracy of product descriptions and by providing destination-related information, such as:

- customer testimonials;
- local listings and guides; and
- local weather and health information.

We endeavour to give our customers every possible reason to buy using our web site. We believe that the one-stop lastminute.com solution adds value to their purchase and on-line shopping experience.

In addition, the content of our web site may attract new registered subscribers and increase the frequency of visits to our web site by providing news, entertainment and information services. Furthermore, we intend to refine the content of our direct marketing products, such as the weekly e-mails to our registered subscribers.

Personalisation and Platforms. As our ability to personalise our offerings improves, the content of our web site may be used to provide tailored windows into our products, open up new markets and strengthen brand loyalty. We believe, as new alternative distribution channels grow and become more popular, our ability to deliver the appropriate content to the appropriate platform with a suitable frequency of customer contact will be essential.

International Strategy. Where relevant, our content-driven deals will be leveraged across the whole international network. However, the lastminute.com presence in each market will feature much locally-generated or sourced content. We seek to ensure that local content managers respond rapidly and flexibly to their evolving markets, so that each international presence is not simply a translation of one central presence, but is a finely tuned, culturally relevant merchandising operation.

Customer-Generated Content. We believe that we have successfully created a strong identity around lastminute.com. We believe that we have acquired a distinctive ''voice,'' which communicates spontaneity and a sense of adventure and has attracted a loyal community of registered subscribers. We seek to expand this sense of community by encouraging extensive customer feedback on our U.K. web site. For example, once a week we award a bottle of champagne to the registered subscriber who submits our favourite comment, which we post on the web site.

We intend to further develop the customer feedback component of our web site so that our users will be able to give reviews of specific destinations, accommodation or events. We believe that users will place substantial value on this content, since like-minded individuals generate it. Importantly, our management believes customer-created content will create a barrier to entry for our competitors and will preserve our distinctiveness in the e-commerce marketplace. Our management also believes that our use of customer-generated content will enable us to boost unbranded sales, since customer recommendations are more likely to increase the confidence levels of our prospective customers.

In addition, we believe that the feedback generated by our customers will be an important tool for our suppliers. Our suppliers can take advantage of our customers' feedback to improve product and service design, inventory flow and resource allocation.

In evolving our web site, we have emphasised ease of use, reliability and functionality that presents the most relevant offers as quickly as possible to the user.

We are steadily enhancing our ability to serve customers individually. We intend to introduce a personal e-mail service which enables customers to set their desired destinations, date of travel and style of holiday so that we can alert them when suitable inventory becomes available. We have systems in place that are capable of analysing our transactions in a variety of ways, allowing us to respond to recognised trends. We expect to expand such ''explicit'' targeting schemes in our three-tier architecture with implicit techniques based on tracking customer activity and presenting product recommendations accordingly. We expect these measures will enhance our buy-rate and improve our overall conversion ratios, as well as further enhance the loyalty of our registered subscribers.

In the future, we may introduce an initiative to allow customers to build their own packages of products, allowing us to offer even better value in ‘‘instant bundles’’ while shielding product and supplier specific pricing from the customer.

Strategic Relationships

We have entered into a number of strategic relationships. These relationships have generally consisted of our partners making, or having the future right to make a minority investment in lastminute.com and the entry into commercial agreements which vary in scope from customer advertising activities and links to recently announced deals involving the sale of goods on co-branded sections on the lastminute.com web site. In no case does any of these partners exercise control over us.

Travel Services. On January 31, 2000 and February 14, 2000, we executed performance-based warrant instruments pursuant to which we may grant warrants to acquire up to 5,544,675 and 5,543,250 of our ordinary shares to each of Lufthansa and Virgin Atlantic Airways, respectively, in equal instalments at the end of five six-month measuring periods commencing January 1, 2000 and March 1, 2000, respectively, if they achieve specified levels of ticket sales through our web site. Each warrant will be exercisable for an ordinary share during a 60-day period commencing three years after the date it is issued at an exercise price of £0.37 per share, subject to customary adjustments in the event of specified events. We may terminate either warrant instrument and cancel the related warrants in exchange for cash payments if the relevant airline fails to achieve specified minimum levels of sales in the first two measuring periods. We may also cancel a portion of the warrants granted in respect of a measuring period if the airline fails to achieve a specified minimum level of sales in the following measuring period. We may enter into similar agreements to issue warrants from time to time. As at March 21, 2001, no airline had met any of the performance targets set.

On January 12, 2000, we entered into a letter of intent with Bass Hotels and Resorts. Pursuant to this letter of intent, we have capitalised on cross-marketing, co-branding and cross-selling opportunities, such as offering a dedicated subsection to Bass offers in the hotels category.

In connection with our February 2000 round of funding, we entered into a preliminary memorandum of understanding with Starwood Hotels and Resorts with a view to developing and pursuing joint marketing and promotion opportunities.

International Expansion. We have also entered into a memorandum of understanding with Mitsubishi Corporation with the intention of developing a framework for establishing a strategic relationship. If we decide to expand into Asia, Mitsubishi Corporation has agreed that it will assist us in developing our business and media and press interest in Japan. Mitsubishi Corporation has also agreed to assist us in securing additional strategic partnerships in the region.

Marketing. In addition to entering into marketing partnerships with relatively experienced on-line companies, we have entered into a preliminary memorandum of understanding with Sony Music, which expresses our mutual intention to develop and execute a strategic and mutually-beneficial cross-marketing and cross-promotion arrangement.

Marketing, Brand Awareness and Promotion

Through advertising, web site design, promotions and content, we believe that we have created a culture around the lastminute.com brand that communicates spontaneity, adventure, good value and a high standard of customer service. We believe the deals offered on the lastminute.com site reinforce these associations and, in doing so, create loyalty in what we perceive as the emerging ‘‘lastminute’’ community.

Since the launch of our web site in the United Kingdom, we believe that we have developed a distinctive and recognisable brand among U.K. Internet users. We expect to focus our marketing efforts on promoting the lastminute.com brand and, as a result, we believe that we have the potential to become one of the most recognised e-commerce brands in Europe.

On-line Distribution. To date, we have secured marketing deals with over 75 U.K. and European high-traffic and targeted web sites. Internet service providers portals and content and utility providers have proven to be good value for lastminute.com. Our agreements with our marketing partners take the form of either an advertising arrangement or an electronic commerce agreement. Our advertising agreements allow us to purchase a fixed space on a particular web site for a fixed price. Under our electronic commerce agreements, we are provided with a fixed location on a particular web site but our cost is, in part, based on performance. Electronic commerce agreements provide for a lower tenancy cost, or the cost of having a fixed location on a web site, but require us to pay our marketing partners a percentage of our sales based on the number of customers they pass on to our web site.

In most instances, irrespective of whether it is an advertising or electronic commerce agreement, we maintain a permanent ''button'' or dynamic content for last minute offers on each web site rather than rotating advertising banners or links. In many cases, we have negotiated a mutually beneficial compensation framework under which we pay a fee for each registered user or new customer referred from a web site rather than a flat traditional cost-per-page view. We believe this has proven an effective method for driving traffic to our web site and overall has resulted in relatively low effective cost to date for each registration.

We have entered into agreements and other arrangements to market our web site with key Internet sites, portals and Internet service providers that have a presence in the jurisdictions where we have focused our international expansion strategy, including: AOL Europe, Excite, Freeserve and MSN in the United Kingdom; AOL Europe, Voila and Wanadoo in France; T-On-line in Germany; and Lycos in Sweden. In addition we have in place a pan-European agreement with AOL Europe. Our arrangements with key Internet sites, portals and Internet service providers across Europe have generated substantial traffic to our web site and to date have contributed to our low effective cost-per-registration. We have also actively sought partnerships with leading travel sites, and at present we maintain a menu-link on the web sites of Expedia U.K. and Thomascook On-line.

Customer Support and Services

We have locally based customer support and service teams for our European operations that deal with all e-mail and telephone inquiries that arise from our web site, press coverage or marketing activities. Our customer support staff is multilingual and all communication concerning each localised version is conducted in the relevant native language. Our customer support policy aims to ensure that customer e-mails are answered within two hours if received during working hours and overnight if received out of working hours. Telephone support is also provided for callers nervous about buying on-line or experiencing difficulties while trying to buy.

In order to achieve the standards we have established in our customer support policy in view of the growth of our customer base in the United Kingdom, we have entered into an agreement with a third-party supplier to whom we have outsourced our overflow U.K. customer support and service functions. When products purchased on our web site require delivery, we use the delivery mechanisms of our third-party suppliers. For example, when customers order wine or champagne, our fulfilment partner, The Wine Gift Company, contractually commits to the customer to deliver the wine within a specified period of time.

Our Registered Subscribers

A user may register with lastminute.com either by selecting the ''Register'' hyperlink and electing to receive our weekly e-mails or when prompted by our transaction-processing system while making a purchase. Users of our web site purchasing any of our product offerings are required to enable their web browsers to receive cookies and must be registered subscribers of lastminute.com. We ask each registered subscriber to provide us with an e-mail address and password. Although we sometimes request various personal details, including name, address, phone number, age and gender, it is possible to register during the purchasing process without providing this additional information.

Operation of Our Transaction-processing System

We believe that one of the key elements necessary for our web site to be successful is that it be easy to use. We want our customers to feel comfortable using our web site and, as a result, we have placed the utmost importance on the features and functionality of our transaction-processing system. To this end, we have attempted to standardise the way in which transactions are completed using our web site. Generally, our system works in the following stages: (1) initially the customer identifies the product or service; (2) prior to commencing the transaction process, the customer has the opportunity to acquire more information about the particular item he or she is interested in; (3) the reservation or purchase is finalised as the customer is guided through a series of web pages which request certain transaction details, given an opportunity to review the transaction details, and given the choice of either adding the product to his basket, removing the item from the basket or purchasing the item; and (4) if the customer chooses to purchase an item, the customer furnishes his or her credit card details, we pre-authorise the customer's credit card and the supplier charges the customer's credit card for the amount of the product or service, plus applicable taxes. In those instances where we act as cash-collector or principal in a transaction, we will charge the customer's credit card and, if applicable, remit the purchase price, less our commission, to the supplier. If applicable, the product is delivered to the customer by the delivery method specified by the customer, or we use the delivery mechanisms of our third-party suppliers.

Pricing and Security Guarantees. Customers of lastminute.com are entitled to the benefit of our pricing and security guarantees on certain products. In our pricing guarantee, we agree that if a customer can find a seat on the same flight and with the same booking conditions, or a room at the same hotel on the same day, or a package holiday which we source with the same dates with the same operator at a cheaper price than that which the customer paid using our web site, we will refund the difference in price and give the customer an additional £20 for the inconvenience. Our security guarantee provides that, in the event that a fraudulent transaction is processed on a customer's credit card because we have been negligent in safeguarding the customer's credit card details, we will reimburse the customer's outstanding liability to the credit card issuer, up to £50, and give the customer an additional £20 for the inconvenience. This does not affect the statutory or legal rights that the customer may have or any statutory obligation on us to act reasonably in limiting our liability.

Fulfilment Arrangements

In the majority of transactions over our web site we act as agent between supplier and customer. We do not take the inventory on and are hence not responsible for fulfilment. However, in some areas of the business and in certain jurisdictions, we often rely on third party service providers to help us fulfil our customers' purchases of our suppliers' products. Services for which we rely on third parties include making airline reservations and credit card verifications and confirmations. In addition, we rely on links to computerised central reservation systems of airlines and hotels and other databases to provide us with real-time access to information about our suppliers' products available for sale to our customers. Flight reservations made through our web site are made through direct links into global distribution systems, such as Galileo and Amadeus.

During the course of the year we successfully applied for IATA (International Air Transport Association) licenses in the United Kingdom, France, Germany and Sweden. Our IATA numbers are 9126001-3, 2023818-6, 2325292-4 and 80210793 respectively. The IATA number of Degriftour is 2026439-2. IATA imposes rules and regulations regarding air travel and the issuance of airline tickets on its members. Although there is no legal requirement for a company selling airline tickets to be a member of IATA, it is unlikely that any airline would allow a non-IATA member to sell its tickets.

In addition, each country where we operate has its own travel agent licensing requirements. In the United Kingdom the U.K. Civil Aviation (Air Travel Organisers Licensing) Regulations 1995 require any person advertising or selling air travel in the United Kingdom to be bonded under an Air Travel Organisers Licence (ATOL) granted by the Civil Aviation Authority. We have been granted an ATOL with the number 5301.

In the United Kingdom we began issuing our own airline tickets in-house this year. In addition, we have an agreement with Apollo Travel under which Apollo Travel provides booking, ticketing, delivery and customer support services for package holidays provided via our Holiday Hotline or other ancillary service reservations in the United Kingdom.

In France, the agreement with Vacances Carrefour, under which that company provided ticketing and delivery services to our customers purchasing airline tickets using the French version of our web site, expired on

July 12, 2000. Between that date and November 20, 2000, our French subsidiary provided these services in-house. On November 20, 2000 we began issuing all airline tickets using the IATA number of Degriftour.

In Germany, we entered into an agreement with AER on July 1, 2000, to fulfil the reservation requests of our customers accessing the German version of our web site. We pay AER a flat-rate fee per ticket. In Sweden, we started in-house ticketing in June 2000 and no longer have a fulfilment partner. In Italy, Spain and The Netherlands we have we have arrangements with Turom Viaggi, Enclaves del Mudo and RSB Ruud Beins respectively, under which these travel agencies provide ticketing and delivery services for all flight bookings made over the Italian, Spanish and Dutch web sites. We have agreed to pay our ticketing partners a flat-rate fee per ticket.

For fulfilment of hotel reservations, we entered into a two-year agreement on September 9, 1999 with Pegasus, the provider of the Private Label Reservation Service, which is a distribution access database. This agreement allows our registered subscribers to make real-time, on-line reservations at over 30,000 hotels around the world. We believe that one of the attractive features of the Private Label Reservation Service is that it allows us to provide our registered subscribers with access to the entire reservation database or to highlight only those hotels with which we have negotiated special rates. We believe the Private Label Reservation Service increases the depth and breadth of the hotel accommodations we can offer to our customers. At the same time, it provides us with the ability to focus our customers' attention on the hotels where they are likely to get the best value.

For package holidays, users choosing to conduct searches for a customised package holiday will have access to a database of up to 70,000 last minute holiday deals from some of the premier holiday tour operators in the United Kingdom. In order to create such a large database, we have combined package holidays offered by our package holiday suppliers with the package holiday database provided by Comtec. On September 28, 1999, Apollo Travel entered into a three-year agreement with Comtec whereby Comtec provides Apollo Travel with access to the holiday package databases of over 30 package holiday operators. Under the terms of the agreement, Comtec provides details of ''late availability'' package holidays to Apollo Travel, which has been granted a non-exclusive licence to use and display the package holidays on our web site. Unlike our package holidays which are directly sourced through a provider, when registered subscribers access a holiday provided by Comtec, they are directed to a telephone service and are unable to make an on-line booking.

Seasonality

Our limited operating history and rapid growth make it difficult for us to assess the impact of seasonal factors on the business. Nevertheless, we expect our business to be subject to seasonal fluctuations, reflecting a combination of seasonality trends for the products and services offered by our web site and seasonality patterns affecting Internet use. For example, demand for leisure travel may increase over the summer vacation period and demand for travel services and gifts may increase over holiday periods, while Internet usage may decline during the summer months. Our results also may be affected by seasonal fluctuations in the products and services made available to us by participating suppliers. Furthermore, our business may be subject to cyclical variations for the products and services offered, for example, leisure travel and sales of luxury items tend to decrease in economic downturn.

Technology

We believe that we have gained a competitive advantage through early investment in advanced technologies. By establishing partnerships with leading technology suppliers and strengthening the in-house development team, we are constantly increasing barriers to entry to our business.

Since September 30, 2000 we introduced our new three-tier technology architecture. The successful launch of the new technology across our web sites followed detailed performance testing and its introduction on the localised Australian version of our web site in August 2000.

The new system offers three significant benefits for lastminute.com's customers and suppliers:

- Speed — access to products on our site is quicker for customers, as are their transactions. Suppliers are able to download their inventory on the site faster and integrate their databases with lastminute.com more effectively.
- Stability — the new system is able to support our growing subscriber base, providing greater reliability and improving the customer experience.
- Scalability — the new architecture is designed to support our rapid growth and to provide a solid and "open" platform from which we can rapidly introduce new services and applications in numerous languages and countries.

Systems administrators and network managers monitor and operate our web sites, network operations and transaction-processing systems. The continued uninterrupted operation of our web sites and transaction-processing systems is essential to our business, and our web site operations staff work to make the sites as reliable as possible. Our public server infrastructure, web and database servers are hosted at a facility built in 1999 by Exodus Communications in west London, which provides links to the Internet through backbone providers including COLT Telecom and MCI WorldCom, as well as 24-hour monitoring and engineering support. We believe that we have sustained our high quality of service into our international markets from London.

Competition

We compete with both on-line and traditional sellers of the products and services offered on our web site. The market for selling our product offerings over the Internet is new, rapidly evolving and intensely competitive. Current and new competitors can launch new sites at a relatively low cost. In addition, the traditional retail industry for the products and services we offer is intensely competitive.

The suppliers who have the potential to be our competitors include suppliers who aggregate across sectors and suppliers focusing on specific sectors. Suppliers who aggregate across sectors collect a wide range of products, services and content from different suppliers and locations into one easy access point. Companies who currently aggregate across sectors and content and have recognised brands that could be positioned to become last minute aggregators include Priceline.com Incorporated, EMAP On-line, OnSale, ebay and amazon.com.

Some suppliers which have businesses that originated off-line and are focused on specific sectors such as travel, entertainment or gifts have migrated elements of their businesses to the Internet. With respect to travel suppliers, our potential competitors include:

- Internet travel agents such as ebookers.com, Expedia, Mr. Jet and Travelocity;
- full service travel agencies, such as Always, Flightbookers, Havas Voyages, L'tur, Nouvelles Frontières, Thomas Cook, Trailfinders and Travelprice;
- consolidators of both flights and holidays such as Globepost, which owns TravelSelect, that sell typically to the top travel agencies; and
- individual airlines, such as Northwest Airlines, or groups of airlines, such as OTP and Orbitz, that may create joint web sites that market last minute fare sales on the Internet.

In Germany, a travel web site, 5 vor 12, owns the Internet domain name "lastminute.de." See "Intellectual Property."

With respect to hotels, our competitors include travel sites that have added hotels to their offerings and certain sector specialists, such as Hotel Reservation Network, Hotels and Travel, The Hotel Guide, Travlang, the AA Hotel Guide and the Good Hotel Guide.

In the entertainment sector, some on-line sites are information providers for off-line ticket retailers, while others offer consumers the ability to purchase entertainment tickets on-line. Potential competitors in this sector include Tickets.com, Inc., FNAC and Ticketmaster-Citysearch.

We potentially face competition from a number of large Internet companies and services that have expertise in developing on-line commerce and in facilitating Internet traffic, including Amazon.com, AOL, Microsoft and Yahoo!, who could choose to compete with lastminute.com either directly or indirectly through affiliations with other e-commerce companies. Other large companies with strong brand recognition, technical expertise and experience in Internet commerce could also seek to compete with us.

Competition from these and other sources could have a material adverse effect on our business, results of operations and financial condition.

We believe that the principal competitive factors that we must address include:

- a recognisable and defensible brand identity;
- strong relationships with suppliers and access to inventory;
- a broad geographic marketplace;
- maintenance of a sizeable registered user base;
- web site accessibility and ease of use;
- customer service and reliability of delivery; and
- technical capabilities and expertise.

Although we believe we compete favourably with respect to these factors, new or existing competitors may replicate and successfully execute a business plan similar to ours. We also expect that we will be continually challenged by new and existing competitors who may have significantly longer operating histories, larger customer bases and greater brand recognition. In addition, our competitors may have significantly greater financial, technical, marketing and other resources than we do. As a result, these competitors may be able to secure merchandise from suppliers on more favourable terms than we are able to do. In addition, many of these competitors may be able to devote significantly greater resources to:

- marketing and promotional campaigns;
- attracting traffic to their web sites;
- attracting and retaining key employees; and
- web site and systems development.

Intellectual Property

Our intellectual property rights include trade marks and domain names associated with the name ''lastminute.com'' and copyright and other rights associated with our web site, technology platform, software and other aspects of our business.

We rely on a combination of trade mark, copyright and confidentiality laws to establish and protect our business and proprietary rights and information. We also rely on the English law of ''passing-off,'' which may give rise to liability for misrepresentations made by other traders that result in damage to the goodwill or reputation of our business. We have no patents. We do not own the intellectual property rights in the software underlying our technology platform, but rely on software that we license from third-party suppliers. These third-party licenses may not continue to be available to us on commercially reasonable terms. The loss of any of the technology that we rely on could require us to obtain substitute technology of lower quality or performance standards or at greater costs or may interrupt our operations. To date, we have not been notified that the technology underlying our web site infringes the intellectual property rights of third parties.

We have trade mark registrations for the lastminute.com logo in the European Union. We have made applications to register the names ''last minute'' and ''lastminute.com'' in the European Union and ''last minute'' and a lastminute.com logo as trade marks in Norway. We have made an application to register a lastminute.com logo as a trade mark in Australia. We have trade mark registration in the ''lastmin'' mark in the United Kingdom and the European Union. We recently acquired trade mark registrations in Belgium, France, Luxembourg and The Netherlands for a device comprising a clock face with the words "last minute" across it. In Germany, third parties own trade mark registrations incorporating the words "last minute." No applications have been made to register our trade marks in the United States or Canada. In the United States and Canada there are a number of existing trade mark registrations that include the words "last minute." In the United States there are a large number of third parties who use the words "last minute" in their names. These two factors are likely to prevent any trade mark applications we may make in these jurisdictions from being granted.

Privacy Policy

We recognise the importance of maintaining the confidentiality of registered subscriber information and complying with applicable data protection legislation. We have established a privacy policy to help us to achieve this. Our current privacy policy can be found on our web site. We do not sell to any third party any registered subscriber's personal identifying information unless the registered subscriber has provided consent in accordance with relevant data protection legislation. We may also directly e-mail registered subscribers with details of future products and services if the registered subscriber has given its consent for us to do so. We may compile information provided by registered subscribers and information built from user behaviour for targeted advertising and content. For example, in the future we may, on behalf of an advertiser, send e-mail offers to all registered users who frequent a specific area of the site.

Legal Proceedings

We are not currently involved in any material legal or arbitration proceedings. Since our inception, we have not been involved in any legal or arbitration proceedings that have had or may have a material effect on our financial position. We are not aware of any threatened or potential legal or arbitration proceedings which could have a significant effect on our financial position.

In March 2000, L'tur Tourismus AG commenced legal proceedings against Last Minute Network Germany GmbH (now lastminute.com GmbH), our German subsidiary, in the District Court of Hamburg, Germany. Its complaint alleged that the use of the generic domain name "lastminute.com" is anticompetitive, is misleading with respect to "last minute" offers of travel commencing more than 14 days from the date of the offer and violates unfair trade practices law in Germany and sought to prevent us from using the lastminute.com domain name. On June 30, 2000 the District Court of Hamburg dismissed L'tur's claims in their entirety, ruling that Last Minute Network Germany GmbH (now lastminute.com GmbH) will be able to continue to offer last minute solutions under the URL www.lastminute.com, and further ruled that L'tur must bear all legal costs relating to the lawsuit. This is an ongoing action.

In March 2000 L'tur commenced legal proceedings against Last Minute Germany GmbH (now lastminute.com GmbH) in the District Court of Munich. Its complaint similarly contained allegations that the use of the domain name "lastminute.com" violates unfair trade practices law in Germany and is misleading to describe travel products as 'last minute" when travel commences more than 14 days from the date of the offer. L'tur are seeking to prevent us form offering such travel products. This is an ongoing action.

In September 2000 L'tur commenced proceedings against Last Minute Network Germany GmbH (now lastminute.com GmbH) in the District Court of Munich, Germany. Its complaint alleged that the use of the colour magenta is anticompetitive as this is a similar colour to the colour L'tur uses. In December 2000 we won at first instance. L'tur have appealed at the Regional Court. This is an ongoing action.

In February 2001 Last Minute Tour SPA commenced legal proceedings against Last Minute Network Limited and lastminute.com s.r.l. our Italian subsidiary in the Court of Milan. Its complaint alleged that use of the trademark lastminute.com constitutes an act of trade mark infringement of their Italian trade mark registration. They further claimed that our actions constitute an act of unfair competition in that we have created confusion in the market by adopting a similar trade mark to their mark. They are also seeking a declaration of non-infringement by them of our mark. The hearing has been fixed for October 20, 2001.

Enforcement of Civil Liabilities

We are a public limited company incorporated under the laws of England and Wales. A majority of our directors and officers and the experts named in this report reside outside the United States. All or a substantial portion of their assets and our assets are located outside the United States. As a result, it may not be possible for you:

- to effect service of process within the United States upon a majority of our directors and executive officers and the experts named in this report or on us;
- to enforce in the U.S. courts or outside the United States judgments obtained against a majority of our directors and executive officers and the experts named in this report or us in the U.S. courts in any action, including actions under the civil liability provisions of U.S. securities laws; or
- to enforce in U.S. courts judgments obtained against a majority of our directors and executive officers and the experts named in this report or us in jurisdictions outside the United States in any action, including actions under the civil liability provisions of U.S. securities laws. You also may have difficulties enforcing, in original actions brought in courts in jurisdictions located outside the United States, liabilities under the U.S. securities laws. We have been advised by Linklaters, our English legal advisers, that there is doubt as to the enforceability of liabilities against our directors and executive officers and the experts named in this report or us in the United Kingdom in original actions or in actions for the enforcement of judgments of U.S. courts predicated upon the U.S. securities laws.

Regulation

Internet Regulation

There is at present no specific regulator for the Internet in the United Kingdom or in Europe. However, there are many applicable laws relating to the provision of Internet services and use of the Internet and Internet-related applications. Currently, the enforcement of these laws may fall within the powers and duties of a number of regulatory bodies. In the United Kingdom, the government recently proposed that a new regulatory authority, to be known as OFCOM, be created to regulate communications, including the Internet. In France, a new regulatory authority to be known (temporarily) as ''*Forum des Droits et des Libertés de l'Internet*'' is to be created to centralise consideration of questions arising out of the use of the Internet as well as to prepare new regulations concerning the Internet. In certain other jurisdictions, self-regulation and regulation through membership of voluntary schemes is significant.

The application of some of these laws to the Internet is currently being clarified and refined. There are a number of new legislative and regulatory proposals in the United Kingdom and the European Union. This environment gives rise to considerable uncertainty and, due to the lack of case law relating to recently adopted laws, the interpretation of ambiguous provisions significantly contributes to the uncertain situation. The issues in the main areas affecting our business are set out below.

Data Protection

Because our web sites provide us with the ability to collect information about our customers, we are subject to rules and regulations concerning the treatment of this information.

The European Union has adopted the ''directive on the protection of individuals with regard to the processing of personal data and the free movement of such data'' (the ''Directive''). The Directive imposes restrictions on the collection, use and processing of personal data. Under the Directive, EU citizens are guaranteed rights, including the right of access to their personal data, the right to know where the data originated, the right to have inaccurate data rectified, the right to recourse in the event of unlawful processing and the right to withhold permission to use their data for direct marketing. The Directive could, among other things, affect companies like us that collect information over the Internet from individuals in EU member states.

Unless certain exemptions apply, including obtaining the unambiguous consent of the individual, personal data may not be sent out of the European Economic Area (''EEA'') unless the country to which it is sent has "adequate" data protection measures. The Directive does not, however, define what standards of privacy are "adequate." While a small number of countries, including Switzerland, have been found by the European Commission to provide an adequate degree of protection, the European Commission has not yet reached conclusions about the majority of countries with which we might wish to trade. As a result there can be no assurance that the Directive, or other independent national legislation, will not adversely affect our ability to send data collected from customers in EU member states to non-EEA countries. With respect to the United States, while the United States as a whole is not considered "adequate" in terms of data protection, the European Commission and the United States have agreed certain "safe harbour" arrangements, in force since November 2000, by which U.S. companies may agree to adhere to, which the European Commission consider to offer "adequate" protection. Subject to adherence by a U.S. company to the "safe harbour" arrangements, transfers of data to that company in the United States are permitted.

The Directive was required to be implemented into national laws by the fifteen EU member states by October 25, 1998, although in many member states the laws implementing the Directive are not yet in force. The U.K. implementing legislation, the Data Protection Act 1998, came into force on March 1, 2000. Even though the purpose of the Directive is to harmonise the various national laws on data protection in the European Union, the requirements with respect to the collection and processing of data, the rights of users and the obligations imposed on companies collecting data vary to a substantial extent from country to country and may continue to do so in the future once the Directive has been implemented by the EU member states.

French Law no 78-17 of January 6, 1978 "*relative à l'informatique, aux fichiers et aux libertés*" pre-dates the Directive but imposes similar requirements regarding personal data protection, including the obligation to make a declaration to the *Commission Nationale Informatique et des Libertés* ("CNIL"). As required in France, we have filed the necessary declaration with CNIL prior to processing member data and have complied with the requirement to inform members of various information relating to their right of access to personal information and their right to rectify any incorrect information held by us. In France, the Directive may also affect our European business by requiring the processing of data to be subjected to a prior authorisation procedure instead of a simple declaration to the CNIL and by strengthening the investigative powers of the CNIL.

We may therefore be obliged to comply with different legislative requirements which could have an impact on our ability to collect data and share it with third parties, such as suppliers and advertisers. Further, we could be exposed to regulatory and judicial proceedings relating to privacy issues in any EU member state where our customers reside or where we are processing, or are deemed to process, personal data. Under the requirements of the national laws of many EU member states and the principles of the Directive, we will have to take steps to advise customers and registered subscribers when personal data is, or may be, collected and allow them the option to object to such collection.

We also make use of cookies, to track demographic information and to target advertising, that may become subject to increased levels of legislation limiting or prohibiting their use. Germany has specific legislation, which prevents providers of Internet access from using cookies without the prior approval of users. In France, CNIL has issued a recommendation that the use of cookies should be disclosed to users and that users should be informed of their right to oppose their use and that the misuse of cookies can give rise to criminal liability in certain circumstances. Under the Directive, cookies are likely to be considered as a means of processing data and may be regulated by the principles of the Directive if data qualifying as personal data is collected. It is also possible that cookies will be subject to increased levels of legislation limiting or prohibiting their use. Limitations on, or the elimination of, our use of cookies, or obligations on us to allow registered subscribers to object to the use of cookies could limit the effectiveness of the advertisements that are delivered on our web sites.

The European Union has also adopted "the directive concerning the processing of personal data and protection of privacy in the telecommunications sector" (the "Telecommunications Sector Directive"). The Telecommunications Sector Directive covers the processing of personal data in connection with publicly available telecommunications services and public networks, and includes provisions relating to use of traffic and billing data and the use of personal data for direct marketing. These restrictions may limit the amount of time we can hold such data and restrict our ability to use personal information, which we hold for this purpose. The EU member states were, subject to exceptions, required to implement the Telecommunications Sector Directive by

October 25, 1998. The Telecommunications Sector Directive has now been implemented in the United Kingdom. Delays in implementation have occurred in some of the other EU member states. There is a further proposed directive relating to processing of personal data and the protection of privacy in the electronic communications sector, which extends the ambit of the regulation to private as well as public service companies.

We have notified under the data protection legislation in the United Kingdom. To the best of our knowledge, we are in compliance with data protection registration or registration requirements in the other jurisdictions in which we operate and our registrations are sufficient for our current operations. We also actively monitor our collection and use of personal data to ensure compliance with the data protection legislation in force, and to be implemented, to ensure that we can continue to use and disclose personal data relating to our customers and registered subscribers in a way which is beneficial to our business.

Content Regulation

There is little specific regulation of Internet content in the United Kingdom or the European Union. However, the provision of content on the Internet may fall within generally applicable legislation in these and other jurisdictions. For example, general advertising laws and regulations in the United Kingdom and other jurisdictions apply to advertising on the Internet in the same way as advertising by way of other media. Laws relating to obscene publications and defamation may result in limitations on the type of content, including advertisements, available on our service or increased liability to us for information carried on our service.

Under French law, if a web page can be viewed in France, any potential offence that arises out of this web page will be subject to the jurisdiction of the French courts and French law. Recently, in the Yahoo case, Yahoo Inc., an American company, was obliged by a French court to restrict access to some of its pages because they infringed French law.

lastminute.com's liability stems from advertisements and the release of information to users of its site. In its report of July 2, 1998 on the Internet and digital networks, the *Conseil d'Etat*, France's highest administrative tribunal, stipulated that the Internet should be considered as advertising space and that existing legal rules should be applied.

The rules governing circulation of advertising messages and information include:

- Rules on the protection of minors (regulation of pornographic or violent messages);
- Ban on deceitful or misleading advertising (advertising must be truthful);
- Regulations on comparative advertising;
- Obligation to specify that a message is an advertisement;
- Specific regulations for certain products (tobacco, alcohol, drugs, etc.);
- Rules on sending unwanted advertising messages by e-mail (spamming);
- Obligation to use the French language (*Loi Toubon*);
- Application of the Sapin Act of January 29, 1993 on bribery prevention and transparency in economic relations and public procedures;
- Special rules on audiovisual advertising; and
- Press publication offences.

These texts cover all aspects of Internet sites and therefore not only concern web pages, but also banners, e-mail, icons, sound, text, pictures and hypertext links.

Domain Names and Trade Mark Rights

We may be prevented, by reason of third party trade mark rights, from using the name "lastminute.com" or other of our brand names and images and we may be unable to prevent others using these or similar names as domain names, brand names or otherwise in competition with us. Our ability to register additional domain names may be limited by the requirements of local or national domain name registrars or administrators, including the requirement to have a local subsidiary or be a resident of the country for which a domain name is applied, as well as by the existence of third parties' domain name registrations. See ''Intellectual Property.''

Under French law, the registration authority for .fr domain names, *the Association Françoise pour le Nommage Internet en coóperation*, requires, in order to register a domain name, proof that this name is either the trade name of a company or an association, a family name, or a registered trademark. Thus, there are limited risks that a particular domain name can be registered with someone who has no right over it.

Jurisdictional Exposure

Due to the global nature of the Internet, it is possible that, although the servers and infrastructure used to provide our services are based in the United Kingdom and France and transmission by us and our users of content over the Internet originates primarily in the United Kingdom, the governments of other countries might attempt to regulate the content contained in or transmitted using our services or prosecute us for violations of their laws. As our content is available over the Internet all around the world, these jurisdictions may claim that we are required to qualify to do business in each country or that we are required to notify governmental authorities of our activities, including those activities relating to the collection and processing of personal data, for example. Any such legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and other on-line services could increase our costs or restrict the areas in which we may conduct business. In this vein, the EU Council of Ministers adopted a regulation in December 2000, due to enter into force on March 1, 2002, on the jurisdiction and recognition and enforcement of judgement in civil and commercial matters.

This is likely to mean that consumers that are party to on-line contracts will in many cases be entitled to sue in their own jurisdiction irrespective of the location of the contractual counter-party.

E-commerce and Electronic Signatures

The laws relating to e-commerce are being reviewed, and in many cases formulated, in differing jurisdictions all around the world.

In June 2000 the EU Council of Ministers formally adopted the European Commission's proposed directive on ''legal aspects of electronic commerce in the Internal Market'' (the ''E-Commerce Directive''). The aim of the E-Commerce Directive is to ensure the free movement of electronically provided services, including e-commerce, within the member states of the European Union. EU member states will be required to implement the directive before January 17, 2002. Significant provisions of the draft E-Commerce Directive provide:

- that EU member states must ensure that their legislation allows contracts to be concluded electronically, subject to a limited number of exceptions;
- that mere carriers of information over, or providers of access to, communications networks will not be liable for the content of that information;
- that a provider of hosting services will not be liable for the information hosted, except where it knows that it is illegal and does not disable access to that information; and
- clarification of jurisdictional and some contract formation issues.

Closely connected with electronic commerce is the issue of electronic signatures. In December 1999, the EU Council of Ministers adopted a ''directive on a common framework for electronic signatures'' (the ''Electronic Signatures Directive''). The directive establishes a framework in which ''certification service providers'' issue ''qualified certificates'' which link individuals to their public keys in the case of public key cryptography or other devices used to verify their electronic signatures. Public keys are codes that are used in public key cryptography, also known as asymmetric cryptography, together with so-called private keys. Every user of the system has a pair of private and public keys. The private key is kept secret, but the public key is published and made available to third parties. The combination of the private key and a third party's public key can be used for confidential correspondence between the parties, authentication of encrypted documents and verification of the document's integrity. This system is enhanced when a third verification party is included. That party administers a database of public keys, enabling verification of the source of documents ''signed'' with a particular private key. The Electronic Signatures Directive also sets out criteria for the legal recognition of electronic signatures, in the hope that this will promote e-commerce both within the European Union and other countries.

In the United Kingdom the Electronic Signatures Directive has been substantially implemented through the Electronic Communications Act. This provides for an approval scheme for businesses and other organisations providing cryptography services and for the legal recognition of electronic signatures.

In France, Law no. 2000-230 of March 12, 2000 implements the Electronic Signatures Directive although it has not yet received final decree so there is some uncertainty as to whether an electronic signature will in practice be treated the same as a written signature. Law no. 96-659 of July 26, 1996 and four *decrets* passed in 1996 otherwise strictly regulate cryptology in France. A declaration to *Service Central de la Securité des Systèmes d'Information* (''SCSSI'') is required for encryption devices using a key between 40 and 128 bits and prior authorisation is required for devices using a key exceeding 128 bits.

The distance selling directive was adopted by the EU in 1997 (the ''Distance Selling Directive'') and was required to be implemented by EU member states by June 4, 2000. Essentially, it applies to consumer transactions where the buyer and seller never meet and would cover buying products over the Internet. The purpose of the Distance Selling Directive is to ensure there is a minimum level of information given to the buyer. This information includes the identity of the seller, the characteristics of the goods being sold, the full price and the cost of delivery. It also gives the buyer a cooling-off period. Most of the provisions of the Distance Selling Directive do not, however, apply to contracts for the provision of certain travel related services (e.g. transport, leisure or accommodation). Contracts for certain financial services are also entirely excluded and are to be regulated separately. In the United Kingdom, the Distance Selling Directive has been implemented through the Consumer Protection (Distance Selling) Regulations 2000 that came into force on October 31, 2000.

In France, Law no. 2001-1 of January 3, 2001 entitles the French government to implement the Distance Selling Directive by means of an ''*ordonnance*'' and French law otherwise provides similar protection to English law on distance selling.

In July 1999, the European Commission issued a revised proposal for a directive on distance marketing of consumer financial services. If implemented, it would require legislation to be passed by E.U. member states imposing consumer protection measures upon financial services product providers and their intermediaries. These would apply to the extent they market such products (including mortgages and other loans of credit and insurance) exclusively by means of an organised distance sales scheme, including by Internet and e-mail. Until these directives and other national measures are implemented in the United Kingdom and other relevant jurisdictions, our activities in the field of electronic commerce will be subject to a large number of uncertainties within Europe and elsewhere.

As part of our expansion into distribution channels other than the Internet, we will be acting as a content provider to third-party interactive television providers, Cable &Wireless, Telewest and Television par Satellite, and wireless access protocol providers such as BT Cellnet and Orange. We will not be required to obtain any additional regulatory licenses for this content provision as the relevant third-party providers will provide services under their relevant licenses pursuant to the Broadcasting Acts 1990 and 1996, Telecommunications Act 1984 and the Wireless Telegraphy Acts 1949 — 1967, as applicable.

Organisational Structure

lastminute.com was incorporated in England and Wales with registration number 3852152 on October 1, 1999 under the Companies Act 1985 as a private company with limited liability with the name Vibetron Limited. We changed our name to lastminute.com Limited on January 14, 2000 and re-registered as a public limited company on February 24, 2000. lastminute.com is the holding company of Last Minute Network Limited, our wholly owned and principal operating subsidiary in the United Kingdom. Last Minute Network Limited was incorporated in England and Wales with registration number 3538456 on April 1, 1998 under the Companies Act 1985 as a private company with limited liability.

Our investments in subsidiaries are as follows:

Name of Company	Country of registration or incorporation	Principal activity	Ordinary held shares
Last Minute Network Limited(1)	England and Wales	Marketer	100%
lastminute.com GmbH	Germany	Marketer	100%
Last Minute Network S.A.R.L.	France	Marketer	99%
Last Minute Network AB	Sweden	Marketer	100%
Last Minute Voyages S.A.R.L.	France	Marketer	100%
Revalfi S.A.R.L. (part of Degriftour group)(2)	France	Marketer	100%
Voyages Sur Mesure S.A. (part of Degriftour group)	France	Marketer	100%
Activnet S.A.R.L. (part of Degriftour group)	France	Marketer	100%
Lastminutetravel AB	Sweden	Marketer	100%
Lastminute Sweden AB	Sweden	Marketer	100%
Last Minute Network S.L.	Spain	Marketer	100%
lastminute.com BV	The Netherlands	Marketer	100%
lastminute.com s.r.l.	Italy	Marketer	99%
Last Minute s.p.r.l.	Belgium	Marketer	100%
Last Minute Network Limited	Ireland	Marketer	50%
Last Minute A/S	Norway	Marketer	100%
Last Minute A/S	Denmark	Marketer	100%
Investments in joint venture			
lastminute.com Australia Pty Limited	Australia	Marketer	25.1%

(1) directly held by lastminute.com plc

(2) 48% owned by lastminute.com plc

Property, Plant and Equipment

Facilities

Our principal offices are located at 4 Buckingham Gate, London, SW1E 6JP, United Kingdom and have a floor area of approximately 21,372 square feet.

We also lease office space in:

- France, located at 5 Impasse Chalabre, Immeuble Cardinet, 75017 Paris and at 12, avenue des Beguines, 95800 Cergy Saint Christophe
- Germany, located at Kirchenstrasse 68, 81675 Munich;
- Italy, located at Via Pirelli 32, 20124 Milan;
- Spain, located at WTC Edif Norte 7°, Barcelona;
- Sweden, located at Hantverkargatan 78, 11238 Stockholm;
- The Netherlands, located at Westeinde 14, 1017 ZP, Amsterdam;
- United Kingdom, located at 4th floor, Park House, 116 Park Street, London, W1Y 3RA.

For further information on our operating lease commitments please refer to note 20 of the notes to the financial statements.

We depreciate any applicable leasehold improvements over the remaining period of the lease.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes thereto included elsewhere in this Annual Report. This discussion and analysis is based on our financial statements, which have been prepared in accordance with U.K. GAAP. A discussion of the principal differences between U.K. GAAP and U.S. GAAP, in so far as they affect net income and shareholders' equity, is set out in note 29 of the notes to the financial statements.

Overview

We were incorporated on April 1, 1998 as Last Minute Network Limited and we commenced offering products and services on our web site in October 1998. In February 2000, we implemented a share capital reorganisation whereby the shares of Last Minute Network Limited were exchanged for shares in lastminute.com Limited having equivalent rights and restrictions. Subsequently, we re-registered as a public limited company, lastminute.com plc.

Our primary activities during the period prior to launch of the U.K. version of our web site consisted of creating our web site, recruiting and training employees, developing our business model, implementing systems to support our business model, developing relationships with suppliers and developing the lastminute.com brand. We commenced operations on October 1, 1998 on the U.K. version of our web site with the sale of last minute deals on flight and hotel room reservations, entertainment and gifts. Since that time, our business has grown significantly and we now offer last minute opportunities for travel services, including flight bookings, hotel room reservations, car hire and package holidays; leisure, including entertainment events, restaurant reservations and services; gifts; and auctions. We commenced operations on the French version of our web site in September 1999, the German version in October 1999, the Swedish version in December 1999. Since year-end we have also launched Italian, Spanish and Dutch versions.

Recent Developments

Acquisition of Degriftour

On October 23, 2000, we formally completed the acquisition of the entire issued share capital of the Degriftour group. Goodwill arising on the transaction amounted to £58.6 million under U.K. GAAP and is being amortised on a straight-line basis over four years. Effective management control of Degriftour passed to us on September 30, 2000 and accordingly our consolidated balance sheet as at September 30, 2000 incorporates the assets and liabilities of the Degriftour group of companies. See note 15 of the notes to the financial statements.

On October 23, 2000, the date of completion, we paid in cash, as part consideration for the acquisition of the Degriftour group of companies £21,108,496. On the same day, 19,700,000 new £0.01 ordinary shares were issued at a market value of £1.39 per share also in consideration for the acquisition. 10 million Euros are payable on October 23, 2001 in respect to deferred consideration for the acquisition.

The profit and loss account and statement of cash flows do not include any results for the Degriftour group for the year ended September 30, 2000. Pro-forma total transaction value and gross profit, as if the Degriftour group had been part of lastminute.com for the full year ended September 30, 2000, was approximately £91 million and £12.7 million respectively.

Joint Ventures

In August 2000 we launched a fully localised Australian version of the web site and we also have a further joint venture in place for operations in South Africa. The year ended September 30, 2000 includes a share of the costs associated with the Australian joint venture company, lastminute.com Australia Pty Limited, which amounted to £33,000. Joint ventures are accounted for using the gross equity method under U.K. GAAP.

Employee Share Schemes

We have five employee share schemes — the Last Minute Network Limited 1998 Unapproved Executive Share Option Scheme, the Last Minute Network Limited 1999 Unapproved Executive Share Option Scheme, the lastminute.com plc 2000 Unapproved Executive Share Option Scheme, the lastminute.com plc 2000 Approved Executive Share Option Scheme and the lastminute.com plc 2000 Non-Executive Share Option Scheme. To date, we have granted options under all of these schemes.

Pursuant to the Share Exchange Agreement entered into on February 15, 2000, substantially all holders of options over ordinary shares in Last Minute Network Limited agreed to exchange their options for options over ordinary shares in lastminute.com. All the remaining option holders have entered into agreements on substantially the same terms. For further information please refer to Item 6 — ''Employee Share Schemes'' below.

As of September 30, 2000, we had outstanding options to subscribe for 16,792,539 shares issued to various employees and directors. The options entitle holders to purchase shares at a weighted average exercise price of approximately 40.64p per share.

In accordance with UITF Abstract 17, ''Employee Share Schemes'' the difference between the exercise price of share options granted under the employee share schemes and the fair market value of the underlying shares at the date of grant is charged to the profit and loss account on a straight line basis over the period in which the options vest.

In previous periods charges to the profit and loss account were made so as to fully provide for the employer's National Insurance liability that might be incurred on any gain in stock options granted after April 5, 1999. This provision was revised at the end of each quarter to take account of movements in lastminute.com's share price at each balance sheet date. Provision was made at a rate of 12.2% on the difference between the period end share value and grant price, being the best estimate of the ultimate liability at each period end.

With the issue of UITF Abstract 25 ''National Insurance contributions on share option gains'' our accounting policy changed with respect to National Insurance on share options and now provides the expected liability over the period of performance (the period during which the employee performs the services necessary to become unconditionally entitled to the options). From the date of grant to the date of actual exercise, the provisions should be adjusted by reference to changes in market value. The impact on the year ended September 30, 2000, was to decrease the charge by £1.3 million. The effect of the change in accounting policy on the prior year was immaterial.

On July 20, 2000, the U.S. Financial Accounting Standards Board Emerging Issues Task Force reached a final consensus that this liability should be recorded on the date of the event triggering the measurement and payment of the National Insurance contribution (i.e. the exercise date). This change in U.S. GAAP will be reflected as a cumulative adjustment in the reconciliation for the year ended September 30, 2000.

Impact of Currency Fluctuations

Our functional currency and that of Last Minute Network Limited, our principal operating subsidiary, is pounds sterling. The functional currency of Last Minute Network S.A.R.L., Last Minute Voyages S.A.R.L. and the Degriftour group is the French franc. Approximately 90% of our turnover and operating expenses are denominated in either pounds sterling or French francs. However, we have established web sites in eight countries — the United Kingdom, France, Germany, Sweden, Italy, Spain and The Netherlands, and through a joint venture agreement in Australia and we intend to expand into other geographical regions. In connection with our international growth, we anticipate that turnover derived from the non-United Kingdom versions of our web site will be generally denominated in the currency associated with the country or region targeted by the relevant version. Likewise, we expect a significant portion of our operating expenses relating to our operations outside the United Kingdom to be denominated in local currencies.

Transaction revenues and expenses in a foreign currency are recorded at the average rate of exchange for the month during which the transaction or expense occurs. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

The results of overseas operations are translated into pounds sterling at weighted average rates of exchange for the period. Exchange differences arising from the retranslation of operating net assets and results from operations denominated in foreign currencies to period end rates are taken direct to shareholders' funds. All other exchange differences are charged or credited to income.

We use forward currency contracts to reduce exposure to foreign exchange rates. Instruments are used to hedge a committed, or probable, future transaction, and are deferred until the transaction occurs. To date we have not entered into any other derivative instruments.

As a result of the significant investment in our French subsidiaries, movements in the French franc/sterling exchange rate can significantly affect our balance sheet. We do not seek to hedge against this currency risk due to the stable nature of the relationship between the two currencies. See note 22 of the notes to the financial statements.

Operating Results

Last Minute Network Limited, our principal operating subsidiary, was formed on April 1, 1998 and the U.K. version of our web site was launched in October 1998. On September 25, 2000 our shareholders approved the acquisition of the Degriftour group for an aggregate consideration of £54.5 million in the form of cash and shares. Accordingly, we have a limited operating history upon which to base an evaluation of us and our business and prospects and comparisons with prior periods may not be meaningful.

Turnover

	2000	% Change	1999	% Change	1998
			(£ thousands)		
Total transaction value	*34,189*	*1,192%*	*2,647*	*n/a*	—
Turnover	3,740	1,818%	195	n/a	—

For the year ended September 30, 2000, our turnover was approximately £3.7 million, representing a 19-fold increase over turnover for the year ended September 30, 1999 of £195,000. Our turnover consisted of commissions earned on products sold, including airline tickets, hotel room reservations, package holidays, tickets to entertainment events, restaurant reservations and gifts, as well as the value of the transactions in the limited instances where we acted as principal, mainly in connection with sales of some entertainment tickets. In addition, during the year ended September 30, 2000, we earned income from the sponsorship of our weekly e-mail and from advertisements placed on our web sites.

Turnover for the year ended September 30, 1999 was £195,000. On September 10, 1999, we launched the French version of our web site, which generated negligible turnover for the year ended September 30, 1999. During the period from April 1, 1998 to September 30, 1998, we were engaged in start-up activities. Our web site was not operational during this period and consequently we had no turnover.

Turnover in 2000 and 1999 increased due to the expansion of products and services available through our web site and, as market awareness and functionality of our web site improved, the increase in items sold due to the growth of our customer and registered subscriber bases. The increase in turnover in 2000 was also due to the launch and subsequent growth of the operations in Germany, France and Sweden.

In the majority of cases, we do not take ownership of the products being sold and act as agent, receiving a commission from the supplier of the products being sold. In these cases, turnover represents commission earned, less amounts due or paid on any commission shared. In a limited number of cases, we act as principal, and purchase the products for resale. Where we act as principal, turnover represents the price at which the products are sold across the web site. Additional revenue streams (e.g. sponsorship and advertising) also contribute to turnover.

Our turnover was generated through transactions using our web site having a total value of approximately £34.2 million for the year ended September 30, 2000, a nearly 13-fold increase over total transaction value in 1999 of approximately £2.6 million. Total transaction value does not represent statutory turnover. In the majority of transactions, where lastminute.com acts as agent cash collector, total transaction value represents the price at which products have been sold across the web site, net of value added tax. In other cases, for example the reservation of restaurant tables, a flat fee is earned, irrespective of the value of products provided. In such cases total transaction value represents the flat fee commission earned. In the small number of cases where lastminute.com acts as principal, total transaction value represents the price at which products are sold across the web site, net of value added tax and associated taxes.

For the year ended September 30, 2000, 17.5% of our turnover was derived from sales outside the United Kingdom. In previous periods, our entire turnover was derived from sales within the United Kingdom.

For the year ended September 30, 2000, 60% of our turnover was derived from travel, 11% from leisure, 9% from gifts and auctions and 20% from advertising. For the year ended September 30, 1999, 82% of our turnover was derived from travel, 12% from leisure and 6% from gifts and auctions.

Historically, turnover has been recognised once charges to the customer's credit card have been made, except for travel, as noted below, and is stated exclusive of value added tax and associated taxes. In prior years turnover related to travel business has been recognised on the date of the booking by the customer. The nature of the business is such that the booking date is close enough to the departure date for there to be no significant difference between recognition on the booking date rather than on the departure date which is the industry norm. However, as a result of the acquisition of the Degriftour group, which has historically recognised revenue on the date of departure, we believe that, for consistency, all revenue related to travel business should be recognised on the date of departure. The effect of this change in policy for the year ended September 30, 2000 results in total transaction value being £500,000 less and turnover being £50,000 less than would have been reported under the previous revenue recognition policy. No adjustment has been made to the 1999 figures due to the immateriality of the adjustment required.

We generally earn industry standard commissions on most of the products we offer on our web site, which vary by industry segment. However, from time to time we have entered into and may in the future enter into arrangements with our suppliers to accept commissions that are lower than industry standards, which may have an adverse effect on our turnover.

Nearly all of our product are sold on an agency basis whereby we do not take ownership of a product and therefore do not take inventory risk. When we act on an agency basis, we do not receive payment for the sale, but are paid a direct commission from the supplier. We verify that the credit card being used by the customer is valid, but the supplier authorises the purchase and pays the transaction fee on the credit card. We are in the process of moving our supplier relationships to a "cash collector" basis. The cash-collector sales model is similar to a consignment framework. Although we collect payment for the sale of merchandise or vouchers, we do not carry any inventory risk. When we act on a cash-collector basis, we authorise the purchase and pay transaction fees on the credit card; however, we may also benefit from a higher commission from the supplier. In limited instances, usually with respect to entertainment tickets, we act as principal, where we take inventory risk and recognise as turnover the entire value of the transaction. Whether we act as agent, cash-collector or principal, turnover is recognised once charges to the customer's credit card have been made or payment is received, except in the case of travel, which is discussed above.

Gross Profit

	2000	% Change	1999	% Change	1998
			(£ thousands)		
Gross profit	3,339	1,786%	177	n/a	—
Gross commission margin	9.8%		6.7%		—

Gross profit consists of turnover less the cost of sales, which consists of the cost of merchandise purchased by us as principal for resale. Gross profit for the year ended September 30, 2000 was approximately £3.3 million, representing nearly a 19-fold increase over gross profit for the year ended September 30, 1999 of £177,000. Gross profit increased in 2000 reflecting our increased sales volume and income earned from the sponsorship of our weekly e-mail and from advertisements placed on our web sites that contributed to turnover and gross profit.

Gross commission margin, which is defined as gross profit over total transaction value, increased by 3.1 percentage points from 6.7% to 9.8% for the year ended September 30, 2000. The increased gross commission margin reflects higher commission rates negotiated with our suppliers as well as the introduction of sponsorship and advertising as new revenue streams.

Cost of Sales

Cost of sales principally represents the cost of entertainment tickets purchased in transactions where we act as principal.

Total costs of sales for the year ended September 30, 2000 amounted to £401,000, more than a 22-fold increase over total costs of sales for the year ended September 30, 1999 of £18,000. The increase in cost of sales was primarily due to the increased number of entertainment tickets purchased by us as principal for resale. The low level of cost of sales relative to total transaction value reflects the low level of inventory risk taken by us.

Operating Expenses

Product Development

	2000	% Change	1999	% Change	1998
			(£ thousands)		
Product development	8,953	707%	1,110	520%	179

Product development expenses for the year ended September 30, 2000, before any charges for non-cash share-based compensation and the provision for National Insurance, were approximately £9.0 million, an increase from approximately £1.1 million for the year ended September 30, 1999. These expenses primarily consisted of costs associated with the ongoing build and testing of our new three-tier architecture, which is now completed, personnel costs, web hosting, software licence fees and other expenses associated with the ongoing operations of our web site. In 2000, these expenses increased due to the build, testing, and release of the new architecture as well as the continued investment in new platform technologies, e.g. WAP (Wireless Application Protocol) and IVR (Interactive Voice Recognition). The majority of these costs are expensed as incurred. However, with respect to expenses relating to our new architecture, during the year ended September 30, 2000 we capitalised £6.5 million of costs as the site upgrade had reached application development stage, which are being amortised over two years.

In 1999, product development expenses were comprised primarily of compensation to our information technology staff and payments to outside contractors, web hosting and Internet communications and other expenses associated with operating our web site and, to a lesser extent, depreciation on computer hardware and licensing fees for computer software. The £179,000 incurred in 1998 were related to the set-up and development costs of the U.K. web site.

Sales and Marketing

	2000	% Change	1999	% Change	1998
			(£ thousands)		
Sales and marketing	19,076	1,515%	1,181	4,274%	27

Sales and marketing expenses for the year ended September 30, 2000, before any charges for non-cash share-based compensation and the provision for National Insurance, were approximately £19.1 million, an increase from approximately £1.2 million for the year ended September 30, 1999. The increase in 2000 and 1999 was primarily due to increased payroll and increases in our advertising and promotional expenditures. The increase in 2000 was also attributable to our expansion outside the United Kingdom. The cost in 1998 is solely due to personnel.

Sales and marketing expenses include:

- off-line advertising expenses, such as radio, newspaper and other print advertising and outdoor media;

- on-line advertising expenses, including fees paid to maintain links from our on-line marketing partners' web sites and commissions paid to our on-line marketing partners on purchases made by customers who were referred from their web sites;
- compensation for our sales and marketing personnel;
- ticketing expenses and credit card verification and processing fees;
- provisions for redemption of Award Minutes; and
- customer service.

We expense the cost of advertising at the time production occurs and expense the cost of communication advertising in the period in which the advertising space or airtime is used.

Near the close of our year ended September 30, 1999, we initiated a customer loyalty scheme, where our customers collect redeemable Award Minutes in proportion to the value of goods purchased and can redeem the Award Minutes against offers on our web site. We make a provision against the expected liability based on an anticipated redemption profile determined by our management. At September 30, 2000 we had recorded a total provision of £77,000.

General and Administration

	2000	% Change	1999	% Change	1998
			(£ thousands)		
General and administration	10,157	751%	1,193	1,287%	86

General and administration costs, excluding non-cash share-based compensation and amounts provided for National Insurance contributions, for the year ended September 30, 2000 increased to approximately £10.2 million from approximately £1.2 million for the year ended September 30, 1999. This increase in general and administrative costs results from the development in our infrastructure, both in the United Kingdom and in relation to the start-up costs for the Spanish, Dutch and Italian operations, and the hiring of additional staff to support our increased transaction volume. General and administration costs consist primarily of compensation for financial, human resources and administrative personnel, excluding non-cash share-based compensation, fees for outside professionals, telecommunications and other overhead costs, including occupancy expense.

Non-cash Share-based Compensation

	2000	% Change	1999	% Change	1998
			(£ thousands)		
Non-cash share-based compensation	4,582	582%	672	n/a	—

A non-cash charge of approximately £4.6 million was recorded as an expense for the year ended September 30, 2000, compared to approximately £0.7 million for the year ended September 30, 1999. Please refer to "Employee Share Schemes" above for further details.

National Insurance Charges

	2000	% Change	1999	% Change	1998
			(£ thousands)		
National insurance provision	88	(85%)	600	n/a	—

A provision of approximately £0.1 million for National Insurance contributions in relation to share-based compensation was recorded as an expense during the year ended September 30, 2000, compared to a charge for National Insurance on employee stock options for the year ended September 30, 1999 of approximately £0.6 million. We have changed our accounting policy with respect to National Insurance following the issuance of UITF Abstract 25. Please refer to "Employee Share Schemes" above.

Interest Receivable

Interest receivable consists primarily of interest income on cash held and foreign currency transaction gains or losses. Interest income increased to approximately £3.8 million for the year ended September 31, 2000 from £68,000 for the year ended September 30, 1999. Interest income for the year ended September 30, 2000 increased significantly as a result of the proceeds received from our initial public offering in March 2000. Interest income in the year ended September 30, 1999 increased as a result of interest earned on increased cash assets.

Tax on Loss on Ordinary Activities

As a result of the loss for the year ended September 30, 2000, no corporation tax charge arose. At September 30, 2000 we had approximately £(35.5) million of U.K. tax losses available to carry forward without expiry and to offset against future trading profits.

Loss on Ordinary Activities

	2000	% Change	1999	% Change	1998
			(£ thousands)		
Loss for the financial year	(35,748)	694%	(4,500)	1,473%	(286)

Since our inception, we have incurred losses in each fiscal quarter. The loss on ordinary activities for the year ended September 30, 2000 was approximately £(35.7) million compared to £(4.5) million for the year ended September 30, 1999, an increase due to the continued expansion of our business. We expect to continue to incur losses as we spend substantial resources on product development, sales and marketing and administration.

On January 31, 2000 and February 14, 2000, we executed performance-based warrant instruments pursuant to which we may grant warrants to acquire up to 5,544,675 and 5,543,250, respectively, of our ordinary shares to each of Lufthansa and Virgin Atlantic Airways, two of our key airline suppliers in equal instalments at the end of five six-month measuring periods commencing January 1, 2000 and March 1, 2000, respectively, if they achieve specified levels of ticket sales through our web site. Each warrant will be exercisable for an ordinary share during a 60-day period commencing three years after the date it is issued at an exercise price of £0.37 per share, subject to customary adjustments in the event of specified events. We may terminate either warrant instrument and cancel the related warrants in exchange for a cash payment if the relevant airline fails to achieve specified minimum levels of sales in the first two measuring periods. We also may cancel a portion of the warrants granted in respect of a measuring period if the airline fails to achieve a specified minimum level of sales in the subsequent measuring period. We may enter into similar agreements to issue warrants from time to time. In connection with these warrants, we will not recognise any expense for U.K. GAAP purposes. However, for U.S. GAAP purposes, under Emerging Issues Task Force Consensus 96-18, ‘‘Accounting for Equity Instruments that are issued to other than Employees for Acquiring, or in conjunction with Selling, Goods or Services’’, we may incur non-cash charges in connection with these warrants. As these charges will depend on the number of warrants, if any, actually issued and will be based on the fair value of the warrants, which will depend primarily on the market price of our shares, on the date they are issued, the amount of these charges cannot currently be determined, but these charges may have a material impact on our future results of operations under U.S. GAAP. As at September 30, 2000 neither airline was in line to meet the sales performance targets set. We have not recognised a liability in the year ended September 30, 2000 as a result of this.

Loss per Share

Our loss per share was (36.35)p per share, or (181.75)p per ADS for the year ended September 30, 2000, compared to a loss of (13.51)p per share or (67.55)p per ADS, in the year ending September 30, 1999. The loss per share for the period from April 1, 1998 to September 30, 1998 was (0.94)p per share, or (4.70)p per ADS. The loss per share amount has been based on the weighted average number of ordinary shares in issue during the year adjusted for the effects of the 284 for 1 bonus issue on February 15, 2000.

Selected Quarterly Operating Results

The following table sets forth, for the periods presented, unaudited data regarding total transaction value, turnover, cost of sales, operating expenses and losses and supplemental operating data. Data regarding total transaction value and our turnover, cost of sales, operating expenses and losses have been derived from our unaudited financial statements which, in the opinion of our management, have been prepared on substantially the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation. The operating results in any quarter are not necessarily indicative of the results that may be expected for any future period.

	April 1, 1998 (inception) to September 30, 1998	Quarter Ended December 31, 1998	Quarter Ended March 31, 1999	Quarter Ended June 30, 1999	Quarter Ended September 30, 1999	Quarter Ended December 31, 1999	Quarter Ended March 31, 2000	Quarter Ended June 30, 2000	Quarter Ended September 30, 2000
	(in £ thousands, except non-financial operating data)								
Profit and Loss Account Data:									
TOTAL TRANSACTION VALUE	—	*25*	*275*	*544*	*1,803*	*4,255*	*7,162*	*9,585*	*13,187*
Turnover	—	2	25	49	119	409	834	1,016	1,481
Cost of sales	—	—	2	8	8	59	127	66	149
Gross profit	—	2	23	41	111	350	707	950	1,332
Operating costs									
Product development	179	82	115	244	669	1,457	2,571	2,430	2,496
Sales and marketing	27	56	89	188	837	2,416	4,801	5,850	6,020
General and administration	86	56	94	400	643	1,492	1,991	2,886	3,775
Non-cash share-based compensation	—	6	18	184	464	540	1,854	1,295	893
National Insurance provision	—	—	—	157	443	479	925	(328)	(988)
Total operating costs	(292)	(200)	(316)	(1,173)	(3,056)	(6,384)	(12,142)	(12,133)	(12,196)
Other operating income	—	—	—	6	6	—	75	50	(59)
Operating loss	(292)	(198)	(293)	(1,126)	(2,939)	(6,034)	(11,360)	(11,133)	(10,923)
Share of operating loss in joint venture (net of amortisation of goodwill)	—	—	—	—	—	—	—	—	(33)
Total operating loss: Operating loss and share of joint venture	(292)	(198)	(293)	(1,126)	(2,939)	(6,034)	(11,360)	(11,133)	(10,956)
Non-financial Operating Data:									
Number of items sold in period	—	417	3,082	5,798	14,569	39,683	74,541	90,500	108,188
Number of registered subscribers at period end	—	18,128	90,074	188,710	364,750	571,687	1,385,042	2,078,395	2,850,678
Number of customers at period end	—	219	1,662	4,070	10,189	28,687	65,387	107,993	156,196
Number of suppliers at period end	—	110	223	320	548	1,102	2,466	3,458	9,221

Our quarterly operating results have varied significantly in the past and will be likely to continue to do so in the future.

Our turnover increased in each quarter since the quarter ended December 31, 1998, during which we launched the U.K. version of our web site. Our turnover is based on total transaction value, which also increased in each quarter since the quarter ended December 31, 1998. These increases resulted from the expansion of products and services available on our web site and from the expansion of our registered subscriber base, as market awareness and user functionality of our web site improved. Total transaction value of products sold through our web site for the quarter ended September 30, 2000 was £13.2 million, a 38% increase from £9.6 million in the prior quarter ended June 30, 2000 and more than a 7-fold increase over the comparable quarter ended September 30, 1999 of £1.8 million.

Our operating expenses, before any charge for non-cash share-based compensation and the provision for National Insurance, also increased. Product development expenses increased, especially since the quarter ended March 31, 2000, due to expenses incurred to complete the new three-tier architecture for our web site and an expansion of our in-house development team. Sales and marketing expenses have also increased substantially for the quarters ended June 30, 2000 and September 30, 2000 due mainly to the increase in our continental European sales and marketing programme (both on and off-line) and an overall increase in the number of sales and marketing personnel, particularly within our customer services function. General and administration costs increased for the quarters ended March 31, June 30 and September 30, 2000 compared to earlier quarters, as we continued our international expansion programme, incurred professional fees due to the set up of operations in

Italy, Spain and The Netherlands and were subject to adverse foreign currency exchange rate movements. The quarter ended September 30, 2000 includes a share of the costs associated with the Australian joint venture company, lastminute.com Australia Pty Limited.

Our quarterly operating results will be affected by a variety of factors, including an increased level of sales and marketing expenses as we continue to build our brand, the implementation and success of our international expansion strategy, increased spending on product development relating to the new architecture and the increase in total transaction value that we are able to achieve. Some of these factors are outside our control.

As a result of our limited operating history and the emerging nature of the market for e-commerce, it is difficult for us to forecast our turnover accurately. We may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall in turnover. Accordingly, any significant shortfall in turnover relative to our planned expenditures would have an immediate adverse effect on our business, results of operations and financial condition.

Due to the foregoing factors, our quarterly turnover and operating results are difficult to forecast. We believe that period-to-period comparison of our operating results may not be meaningful and should not be relied upon as an indication of future performance.

Please see also, Item 4 — "Information on The Company"

Liquidity and Capital Resources

Initially, we financed our operations primarily through the issue of ordinary and redeemable convertible preference shares. Our net proceeds from financing activities from April 1, 1998 to September 30, 2000 were approximately £149.0 million. After inception, our first capital increase consisted of an issuance of preference shares, which raised £600,000 from four private equity firms, Cheetah International Investments Limited, with Arts Alliance Advisors acting as its investment adviser, NewMedia Investors Limited, Venture Partners and Innovacom 3, and £350,000 raised through a bridge loan from Cheetah International Investments Limited, Venture Partners and Innovacom 3.

In May and June 1999, we converted the £350,000 bridge loan into preference shares at a 25% discount and raised £6.0 million additional capital through the issuance of ordinary and preference shares to our existing shareholders and key employees, corporate and institutional investors, including Intel Corporation and a group of private equity firms, including Amadeus Capital Partners Limited, Global Retail Partners, L.P. and T-Telematik Venture Beteiligungsgesellschaft GmbH. NewMedia Investors Limited acted as our financial adviser in connection with our May 1999 financing.

In August 1999, we agreed the terms of our third capital increase, which was completed in November 1999. Our existing shareholders that exercised their rights to acquire additional ordinary and preference shares provided $5.0 million, or £3.1 million, and Morgan Stanley Dean Witter Equity Funding, Inc. provided $2.5 million, or £1.6 million. In a second payment related to this purchase, Morgan Stanley Dean Witter Equity Funding, Inc. paid $2,124,151 to us on the closing of the initial public offering. Morgan Stanley & Co. International Limited, an affiliate of Morgan Stanley Dean Witter Equity Funding, Inc., has also served as our financial adviser.

On February 4, 2000, we completed a private placement of preference shares to strategic partners that we considered to be key to our business. This private placement raised cash proceeds of approximately $30 million, or approximately £18.5 million. The new investors were BAA plc, Bass plc, Mitsubishi Corporation Finance plc, Priceline.com Incorporated, Sony Music, Sheraton International Inc. and Viventures FCPR. Each of the new strategic investors purchased shares for cash at a price of $2.16 (restated for the 284 for 1 bonus issue). In the case of BAA plc, in addition to the shares it purchased for cash, we were given in-kind consideration consisting of marketing support with a value of $750,000. In this fourth round of financing, we raised an additional amount of approximately $10 million, or approximately £6.2 million, through the issuance of ordinary and preference shares to some of our existing shareholders that exercised their rights to acquire additional ordinary and preference shares, as the case may be. In our fourth round of financing, Preference A shares were allotted to our existing shareholders, Cheetah International Investments Limited, Innovacom 3, and Venture Partners Multimedia ASA. Our existing shareholders, except as disclosed below, and Venture Partners Multimedia ASA were allotted

Preference A shares for cash at a price of $2.16 per share. Innovacom 3 was allotted Preference A shares for cash at a price of $1.19, pursuant to the shareholders' agreement dated November 16, 1999. Cheetah International Investments Limited was allotted shares for cash at a price of $2.16 and $1.19 pursuant to the shareholders' agreement dated November 16, 1999.

On March 21, 2000, we listed our ordinary shares on the London Stock Exchange and on the Nasdaq National Market. The total proceeds to us from the offering were approximately £125.4 million, before expenses.

At September 30, 2000, our employees and directors had options outstanding over 16,792,539 of our shares that are exercisable at a weighted average exercise price of 40.64 pence per share.

As at September 30, 2000, before accounting for the cash payable in respect of the acquisition of the Degriftour group, the net cash position of lastminute.com stood at £104 million, compared to £4.3 million as at September 30, 1999. The increase in the net cash position was due to the balance of funds received from the private placement of our shares in November 1999 and February 2000 as well as funds received from the sale of shares in the initial public offering in March 2000. Cash is placed on deposit with AAA/AA rated credit institutions and earns competitive rates of interest.

At December 31, 2000, our cash position stood at approximately £70.9 million. The decrease of £32.8 million relative to September 30, 2000 includes approximately £21.4 million used as part of the consideration of Degriftour.

Net cash outflow from operating activities was £11.4 million for the three months ended December 31, 2000 and £34.7 million for the year ended September 30, 2000, compared to £4.4 million for the three months ended December 31, 1999 and £1.9 million for the year ended September 30, 1999. Net cash outflow from operating activities was £212,000 for the period from April 1, 1998 to September 30, 1998. 10 million Euros are payable on October 23, 2001 as deferred consideration for the acquisition of the Degriftour group.

The Degriftour group's policy is to finance its operations and expansion through retained earnings and invest its cash in short-term funds.

Capital expenditure for the year ended September 30, 2000 was £12.3 million, compared to £408,000 for the year ended September 30, 1999, in each case for purchases of computer systems and equipment. For the period from April 1, 1998 (inception) to September 30, 1998, capital expenditure and financial investment was £28,000, all of which was used to acquire tangible fixed assets.

We believe that existing cash and cash equivalents, as well as cash flows from operations, will be sufficient to meet our anticipated cash needs for working capital and capital expenditure for at least 12 months from the date of this document. Our capital requirements will depend on a number of factors, including the amount of resources devoted to brand promotion and rapid expansion, to respond to competitive pressures, or to acquire complementary businesses, technologies or services. We may raise additional funds through public or private financing, strategic alliances or other arrangements. We may not be able to raise additional funding. Further, any additional equity financing may be dilutive to shareholders, and debt financing, if available, may involve restrictive covenants. Our failure to raise capital when needed may harm our business and operating results.

We currently have no floating rate indebtedness and hold no derivative instruments. Accordingly, changes in interest rates do not generally have a direct effect on our financial position. However, we would be affected by any changes in interest rates that affect general economic conditions.

U.S. GAAP Reconciliation

We prepare our financial statements in accordance with U.K. GAAP, which differs from U.S. GAAP. The differences applicable to us are described in note 29 of the notes to the financial statements. The differences between the U.K. GAAP and U.S. GAAP accounting treatment of any warrants that may be granted to Lufthansa and Virgin Atlantic Airways, under performance based warrant instruments will also have an impact on our reported results under U.S. GAAP if they achieve specified levels of ticket sales through our web site.

Research and Development, Patents and Licences, etc.

Please see Item 3 — ''Risk Factors'' and Item 4 — ''Intellectual Property'' and ''Regulation.''

Trend Information

The current financial year has started encouragingly and we believe that we can look forward to growth for the remainder of the financial year. Since September 30, 2000, we have continued to experience growth in the number of our subscriber and customer bases. Since September 30, 2000, our total transaction value and turnover have grown relative to comparable prior periods, but we have continued to incur operating losses. For the three months ended December 31, 2000 our total transaction value was £20.2 million, our turnover was £2.9 million and we incurred net losses of £11.7 million (excluding the amortisation of goodwill arising on the acquisition of Degriftour).

We continue to incur additional sales and marketing and product development expenses. As planned, product development costs increased in the quarter ended December 31, 2000 compared to the previous quarter reflecting the introduction of the new version our web site and a larger technology department as a result of the acquisition of the Degriftour group.

Over the course of our financial year ending September 30, 2001, we expect our sales and marketing expenses to increase compared to the year ended September 30, 2000, as a result of our increased presence in France as well as in other continental European markets.

We expect our general and administration costs to increase for the year ending September 30, 2001 compared to the year ended September 30, 2000, primarily due to staff increases and expenses associated with expanding our international operations.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management

The directors of lastminute.com and their ages and positions are:

Name	Age	Position
Allan Leighton	47	Chairman and Non-executive Director
Brent Shawzin Hoberman	32	Co-founder, Chief Executive Officer and Director
Martha Lane Fox	28	Co-founder, Chief Operating Officer and Director
Pierre Alzon	37	Managing Director, France and Director
Robert Bryan Collier	61	Vice Chairman and Non-executive Director
Pieter Bouw	59	Non-executive Director
Brian Collie	46	Non-executive Director
Laurent Pierre Marie Raoul Edmond Laffy	38	Non-executive Director
Linda Fayne Levinson	58	Non-executive Director

The senior management of lastminute.com and their ages and positions are:

Name	Age	Position
Julian Charles Culhane	34	Chief Financial Officer
David Kelly	37	Chief Information Officer
Charles Dunn McKee, Jr	35	Head of Commercial
Michael Peirce	34	Chief Technology Officer
Sepand Jordan Riahi	33	Head of Global Marketing

Thomas Teichman, a non-executive director, resigned from our board effective March 19, 2001.

Pieter Bouw has been a non-executive director of lastminute.com since November 1998 and served as its Chairman until October 2000. He has been a Managing Director of Invest B.V., an investment company, since 1997. Previously Mr Bouw was President and Chief Executive Officer of KLM Royal Dutch Airlines from 1991 to 1997. He also serves on the Supervisory Boards of De Nederlandsche Bank N.V., Nederlandsche Spoorwegen N.V., Getronics N.V., Océ N.V., Vopak N.V. From October 1990 until his resignation in August 1997, he was also a director of International Air Transport Association.

Allan Leighton was appointed to our board on October 20, 2000 as non-executive Chairman. He is also the Chairman of British Home Stores Limited and of Wilson Connolly Holdings plc, Deputy Chairman of Leeds Sporting plc, and a non-executive director of Dyson Appliances Limited and BSkyB plc. He worked at Asda Group from June 1992 to November 2000, and was Group Chief Executive from 1996 to 2000. He was named President and Chief Executive Officer of Wal-Mart Europe after Wal-Mart, Inc. took over Asda Group plc. Prior to joining Asda, he worked at the Mars Corporation from 1974 to 1992 where he was Marketing and Sales Director of Pedigree Petfoods from 1991 to 1992.

Brent Hoberman is the Co-founder, Chief Executive Officer and a director of lastminute.com since its inception in April 1998. Previously Mr Hoberman was a Senior Associate at Spectrum Strategy Consultants, a media and telecom strategy consultancy. He held business development responsibilities at Line One, an Internet service provider owned by News International, British Telecom and United News & Media. Mr Hoberman was part of the founding team of the U.K. on-line auction company, QXL.com plc. Mr Hoberman holds an MA from Oxford University.

Martha Lane Fox is Co-founder of lastminute.com and has been its Chief Operating Officer and a director since its inception in April 1998. From September 1994 to May 1997, Ms Lane Fox was an Associate at Spectrum Strategy Consultants, where she specialised in pay television and managed teams both in the United Kingdom and Asia. From May 1997 to April 1998, she was Business Development Manager of Carlton Communication's initiatives in pay TV Internet and digital channels. Ms Lane Fox holds an MA from Oxford University.

Pierre Jacques Alzon was appointed an executive director of lastminute.com in October 2000. He joined the Degriftour group in April 1992 as the Head of Finance and IT and was promoted to Group General Manager in 1995. Mr Alzon was the Chief Executive Officer of Degriftour prior to its being acquired by us. Previously Mr Alzon was an independent consultant and specialised in the administration and building of software solutions. He was also a consultant at Cabinet Mazars and a consultant manager at Cabinet Constantin.

Robert Collier has served as our Vice-Chairman and a non-executive director of lastminute.com since October 1998. Since 1998, Mr Collier has been a principal in RBC Associates. He previously served as a Vice-Chairman of Saison Overseas, the former parent company of Intercontinental Hotels Group, after serving as Joint Managing Director of Intercontinental Hotels Group from 1994 to 1997. He also serves on the board of directors of the following companies: All Hotels/Articulate Solutions, Bristol Golf Club Limited, Corporate Insignia Limited, easiSolutions.com, Green Globe, Loftus Road plc, My Hotels Limited, Pegasus Solutions Inc. and Wasps Rugby Football Club Limited.

Brian Collie was appointed to our board of directors as a non-executive director in February 2000. Mr Collie is the Group Retail Director of BAA plc and has served in that position since 1997. Mr Collie is responsible for all commercial income at BAA's airports across the world. Mr Collie is a Director of the European Travel Research Foundation and a founding Director of the British Institute of Retailing. He is also a member of the Board of Directors of BAA McArthur Glen and Chairman of World Duty Free plc.

Laurent Laffy has served as a non-executive director of lastminute.com since June 1998. From June 1998 to November 1, 1998, Mr Laffy served as Chairman. He is a Partner in Arts Alliance Advisors, which acts as investment adviser to Cheetah International Investments Limited. Mr Laffy serves on the boards of Château-On-line SA, Venture Capital Report Limited, KeeBoo Corporation, Servista.com Limited and Maastricht Multimedia Luxembourg. Mr Laffy has worked in equity research for J. P. Morgan Securities Ltd. and Warburg Dillon Read in London and as a consultant for Bain & Company in Paris and Sydney. A French national, Mr Laffy is a graduate of *Ecole des Hautes Etudes Commerciales (H.E.C.)* in Paris and holds an MBA from Harvard Business School.

Linda Fayne Levinson has served as a non-executive director of lastminute.com since June 1999. She has been a partner at Global Retail Partners, L.P., a private equity venture capital fund focused on the Internet, since 1997. Earlier in her career, her experience includes: McKinsey & Company, where she was the first woman elected Partner; American Express TRS Co., Inc. where she was a Senior Vice President responsible for the leisure travel business; and Wings Partners, where she played a key role in taking Northwest Airlines private. Ms Levinson currently sits on the boards of Administaff, Inc., CyberSource, GoTo.com; Jacobs Engineering Group, NCR Corporation and 24/7 Media as well as several privately held companies. Ms Levinson has an BA from Barnard College, with a major in Russian Studies; an MA from Harvard University in Russian Literature and an MBA from the Stern School at New York University.

Julian Culhane has been lastminute.com's Chief Financial Officer since November 1999. From 1996 to 1999, Mr Culhane was with Broadview International Limited and acted as a Principal from January 1, 1998 until the commencement of his employment with us. While at Broadview International Limited, Mr Culhane was involved in leading international merger and acquisition transactions in information technology. From 1994 to 1996, Mr Culhane was an Assistant Director in the Media and Telecommunications group of Natwest Markets, an investment bank. Mr Culhane has a BSc (Hons) in Chemistry from Bristol University and qualified as a Chartered Accountant with Coopers & Lybrand.

David Kelly was appointed Chief Information Officer in October 2000. Dr Kelly joined lastminute.com as Head of U.K. Operations in February 2000. From February 1999 until joining lastminute.com, Dr Kelly was the Director of customer service for Amazon.co.uk. From 1995 until he assumed his position with Amazon.co.uk, Dr Kelly was a strategy and marketing professor at City University Business School in London. Dr Kelly obtained his BA (Hons) from Leicester University in 1986, his MBA (Distinction) from City University Business School in London in 1995 and his PhD from City University Business School in London in 1999.

Charles McKee, Jr. was appointed to the position of Head of Commercial of lastminute.com in February 2000. From May 1996 until his appointment at lastminute.com, Mr McKee held a variety of senior positions at

Virgin Atlantic Airways. While at Virgin Atlantic, Mr McKee was General Manager of Global Distribution, with responsibility for sales, call centres and distribution channel development; Senior Vice President — North America and Vice President — Asia/Pacific. During his career at Virgin Atlantic Airways, Mr McKee has been based in London, Tokyo and New York. Prior to joining Virgin Atlantic Airways, Mr McKee worked for AVMARK, Inc., aviation consultants, and Hong Kong-based Dragonair. Mr McKee attended Brown University and received his BA in East Asian Studies from Harvard University in 1987.

Michael Peirce was appointed Chief Technology Officer in March 2001. From July 2000 until joining lastminute.com, Mr Peirce was the CTO of LibertySurf UK and Scandinavia. From 1997, until he assumed his position with LibertySurf, Mr Peirce was Director of Point of Sale systems for JDA International, responsible for the EMEA region. Mr Peirce began his extensive retail and technology focused career with the largest grocery retailer in the United States, The Kroger Company, where he was in charge of Research & Development of new technologies before moving to Europe. Mr Peirce attended University of Cincinnati and received a BSc in Computer Science and Mathematics.

Sepand Riahi has been lastminute.com's Head of Global Marketing since April 1999. From 1997 to 1999, Mr Riahi was Director of Development and Marketing of Central European Media Enterprises in London, Prague and Budapest. From 1994 to 1997, he was a Senior Manager, Corporate Development, at Sony Pictures Entertainment in Los Angeles and London. His other professional experience includes working for The Walt Disney Studios, American International Group and American General Corporation. Mr Riahi has a BA from the University of Texas and an MBA from the Wharton School of Business.

Compensation

Remuneration Policy for Executive Directors

lastminute.com's remuneration policy for executive directors is to:

— have regard to the directors' experience, responsibility, and the nature and complexity of their work in order to pay a competitive salary that attracts and retains directors of high calibre;

— link individual remuneration packages to our long-term performance through the award of share options, details of which are provided below;

— provide pension contributions to defined contribution pension schemes, and

— provide employment related benefits in kind.

Remuneration of Non-Executive Directors

All non-executive directors have letters of appointment. Messrs Bouw and Collier receive fees equal to £500 per month. Messrs Collie and Laffy and Ms Levinson received reimbursement for reasonable expenses. Mr. Teichman also received reimbursement for reasonable expenses.

Subsequent to year-end, Mr Leighton was appointed to the board as non-executive Chairman. He receives reimbursement for reasonable expenses.

Directors' Remuneration

The following table presents information regarding the compensation we paid to each of our directors for the year ended September 30, 2000 and 1999.

	Basic salary and fees	Pensions	Benefits	Total 2000	Total 1999(1)
	£	£	£	£	£
Executive Directors:					
Brent Hoberman	133,058	—	3,122	136,180	55,783
Martha Lane Fox	110,600	500	3,331	114,431	51,750
Non-Executive Directors:					
Pieter Bouw	6,000	—	—	6,000	5,500
Robert Collier	6,000	—	—	6,000	5,500

(1) Total remuneration for 1999 above includes £6,300 in contributions to lastminute.com's defined contribution pension scheme on behalf of Martha Lane Fox. There were no pension contributions for any other director in 1999.

We do not compensate our other directors for their services on the board of directors or any committee of the board of directors. The aggregate remuneration paid to and accrued on behalf of all our directors as a group for the year ended September 30, 2000 was £262,611, or $388,323, in salaries, fees, commissions and bonuses. These amounts exclude all pension, retirement and benefits provided to our directors, other than those required to be paid or contributed to by law. These amounts include amounts expended for parking spaces made available to directors, but do not include expenses such as business travel, professional and business association dues and expenses reimbursed. Pension contributions paid in respect of the directors as a group were £500.

Board Practices

The dates of appointment of the board members are discussed within ''Directors and Senior Management'' above.

Employment Agreements

Brent Hoberman and Martha Lane Fox have service contracts with Last Minute Network Limited each, dated February 24, 2000. In these contracts they were granted a salary increase following our initial public offering. No other director has received an increase in basic salary.

The basic salary of Mr Hoberman is £150,000 per annum. The basic salary of Ms Lane Fox is £120,000 per annum.

In addition to basic salary, Mr Hoberman and Ms Lane Fox are entitled to the following benefits: paid holiday, company sick pay, participation in our private health, life assurance and pension schemes, and participation in our share schemes.

The service agreements allow us to terminate their employment with immediate effect by making a payment in lieu of notice based on salary that would have been payable during the notice period, which is two months.

No part of the remuneration package is performance related with the exception of a bonus that may be payable at the discretion of the remuneration committee.

The service agreements provide for, amongst other things, each of the individuals to render their services to us on a full time basis or, if we request, to one of our subsidiaries or affiliates. In addition, the employment agreements contain an express obligation of confidentiality in respect of our trade secrets and confidential information and provide that we will own any intellectual property rights created by Mr Hoberman and Ms Lane Fox in the course of their employment. The agreements also contain restrictive covenants, which prevent the employees from competing with us and soliciting key customers and employees of ours and our group companies for a period of 12 months following the termination of employment.

Subsequent to year end, Pierre Alzon, former Managing Director of the Degriftour group, was appointed to the Board as an executive director. Mr Alzon has a service contract with Voyages sur Mesures dated October 23, 2000. This employment agreement is terminable on six months' notice by Voyages sur Mesures and three months' notice by Mr Alzon. As part of this remuneration package he is eligible for a performance related bonus payment for the financial year ending September 30, 2001, which is subject to meeting or exceeding an agreed net revenue target for the business.

The non-executive directors have letters of appointment with us. They will be re-elected at regular intervals and at least every three years.

Corporate Governance

The following committees were set up on February 15, 2000, and deal with the specific aspects of our affairs.

The audit committee ensures that an objective and professional relationship is maintained with the external auditors. Mr Collier chairs the committee and its other members are Messrs Bouw and Laffy and Ms Levinson. Meetings are also attended, by invitation, by the Chief Financial Officer. The audit committee is responsible for reviewing a wide range of matters including the quarterly results and annual financial statements before their submission to our board and monitoring the involvement of our auditors in that process, focusing particularly on compliance with legal requirements and accounting standards and the requirements of the Financial Services Authority, the Nasdaq National Market and the Securities and Exchange Commission.

The nomination committee meets as necessary and is responsible for nominating candidates to fill board vacancies and for making recommendations on board composition and balance. The nomination committee is comprised of Mr Laffy and Ms Levinson under the chairmanship of Mr Bouw.

Ms Levinson chairs **the remuneration committee** and its other members are Messrs Bouw and Collier. This committee determines, within agreed terms of reference, our policy on compensation of senior management and specific remuneration packages for each of the executive directors, including pension rights.

Removal of Directors under English Law

Pursuant to English law and our articles of association, our shareholders may, by ordinary resolution passed by a simple majority, remove any director from office, notwithstanding any agreement between us and the director, but without prejudice to any claim the director may have for damages for breach of any agreement to which we are a party.

Employees

As at September 30, 2000, we had approximately 427 employees. This number relates to the total number of employees of lastminute.com plc and its subsidiaries as at September 30, 2000, but excludes those of joint ventures. Of the above total number of employees, 299 were employed in the United Kingdom. As at September 30, 1999, we had 75 employees, virtually all of whom were employed in the United Kingdom. As at September 30, 2000, the Degriftour group had 185 employees. As at March 21, 2001 we had over 600 employees, including the former Degriftour group employees. Our human resources strategy is to attract and retain talented, high-calibre employees focused on achieving excellent results. We believe that lastminute.com's market profile and remuneration strategy will help to achieve this aim. The involvement of employees in our financial performance is encouraged through the employee share option schemes as disclosed below and in note 6 of the notes to the financial statements.

Pensions

Employee Pension Schemes

We contribute to a group personal pension plan managed by Standard Life to provide retirement and death benefits for employees. We currently contribute up to a maximum of 14% of our employees' basic salaries to an investment account in the name of the individual employee, or pay the cash equivalent direct to the employee. Employees may contribute to the extent that Inland Revenue limits are not exceeded. All due contributions had been paid at September 30, 2000. At present, 26 employees are contributing to the arrangement. The assets of the plan are separate from the assets of lastminute.com.

We also contribute 1% of our employees' basic salaries to provide a package of health benefits for employees. This package consists of permanent health insurance and life assurance, insured through Royal & Sun Alliance, and private medical insurance insured through Prime Health. All due contributions had been paid at September 30, 2000.

Our directors receive benefits identical to those described above.

We do not operate or participate in any pension arrangements, other than state arrangements, for employees or directors outside the United Kingdom.

Executive directors pension arrangements. During part of the year ended September 30, 2000, Martha Lane Fox was a member of our defined contribution pension scheme. As part of her remuneration package £500 was contributed to that scheme. She has since left the scheme. Currently, there are no pension arrangements for the executive and non-executive directors.

Employee Share Schemes

We currently operate five employee share schemes — the Last Minute Network Limited 1998 Unapproved Executive Share Option Scheme, the Last Minute Network Limited 1999 Unapproved Executive Share Option Scheme, the lastminute.com plc 2000 Unapproved Executive Share Option Scheme, the lastminute.com plc 2000 Approved Executive Share Option Scheme; and the lastminute.com plc 2000 Non-Executive Share Option Scheme. Options are viewed as an integral part of the total remuneration package for employees.

Subject to the satisfaction of any performance condition and the continuous employment of the option holder for at least six months prior to exercise, options are normally exercisable in accordance with a formula set out in the Unapproved Executive Schemes. The formula allows for the gradual vesting of the options over a three-year period from the date of grant. Options, which have not been exercised, will normally lapse on the tenth anniversary of grant.

As at September 30, 2000, 16,792,539 options over our ordinary shares were outstanding, as set out in the table below. All options were granted for no consideration. Options lapse on the tenth anniversary of grant.

Option price (p)	Number of shares under option
2.31	8,244,134
12.05	1,045,950
17.21	1,147,140
36.96	1,774,125
73.93	719,896
106.87	855,000
133.87	2,066,639
138.00	290,869
139.00	63,556
150.00	40,000
152.00	418,685
186.00	44,816
209.00	43,452
210.00	22,483
218.00	15,794

We expect to incur National Insurance charges relating to options granted after April 6, 1999 on the terms of the unapproved share option schemes at a rate of 12.2% (although this rate will be reduced to 11.9% from

April 6, 2001) on the difference between the share value at the exercise date and the grant price. We make provision for this liability over the period of performance (the period in which the employee performs the services necessary to become unconditionally entitled to the options) based on the difference between the period-end share value and the grant price.

Options on the terms of the Last Minute Network Limited 1998 Unapproved Executive Share Option Scheme

Last Minute Network Limited entered into option agreements in respect of its ordinary shares on the terms of the Last Minute Network Limited 1998 Unapproved Executive Share Option Scheme, as amended. No further options will be granted under the scheme. The terms of the scheme as amended are summarised below.

Eligibility. All of Last Minute Network Limited's employees and directors and those of any subsidiaries are eligible to participate in the scheme.

Grant of options. Last Minute Network Limited's board or an authorised committee may, at their discretion, on grant options to subscribe for shares. Options may be granted subject to a performance condition based on objective criteria. Options may be granted at an exercise price, which is equal to the price per share at which shares were sold under the placing of shares to investors most recent to the grant or, at the discretion of the board, an amount determined by the board, which may be higher or lower than the most recent placing price. No consideration was payable for the grant of options.

Exercise of options. Options may be exercised subject to the satisfaction of any performance condition and the continuous employment of the optionholder for at least six months prior to exercise, options are normally exercisable in accordance with a formula set out in the scheme. The formula allows for the gradual vesting of the options on a straight line basis over a three year period. Options that have not been exercised will normally lapse on the tenth anniversary of grant.

If an optionholder ceases to be an employee, his option will lapse to the extent that it has not vested. Any part of his option, which has vested, will remain exercisable.

Options are not transferable and may only be exercised by the persons to whom they are granted.

Issue of shares. Shares issued on the exercise of options will rank equally with shares in issue at that time, except in respect of rights arising by reference to a prior record date**.**

Variation in share capital. Options may be adjusted following certain variations in share capital, including a capitalisation or rights issue, or a sub-division or consolidation of capital.

Amendments. Last Minute Network Limited's board or an authorised committee may amend any provision of the scheme provided that any amendment which would prejudice the subsisting rights of optionholders requires the prior written consent of existing optionholders who hold options exercisable over at least three quarters of the total number of shares underlying options granted under the scheme.

Termination. Last Minute Network Limited's board or an authorised committee may, at any time, terminate the scheme. If this happens, no further options will be granted but the provisions of the scheme will continue in relation to options already granted.

Options on the terms of the Last Minute Network Limited 1999 Unapproved Executive Share Option Scheme

The terms of this scheme, as amended, are, in all material respects, the same as those of the 1998 Unapproved Executive Share Option Scheme, as amended. Last Minute Network Limited entered into option agreements in respect of its ordinary shares on the terms of the scheme, as amended. No further options will be granted under this scheme.

The lastminute.com plc 2000 Unapproved Executive Share Option Scheme

Eligibility. All of our employees and directors and those of any subsidiaries are eligible to participate in the scheme.

Grant of options. Our board or an authorised committee may, at their discretion, grant options to acquire our shares. Options can be granted at any time. They may be granted subject to a performance condition based on an objective criteria. Prior to the listing of the lastminute.com plc's ordinary shares on a recognised investment exchange, options had to be granted at an exercise price that was equal to the price per share at which shares were sold under the placing of shares to investors most recent to the grant. On or after the listing date, options had to be granted at an exercise price equal to the then current market value of an ordinary share. No consideration is payable for the grant of options.

Exercise of options. Options are normally exercisable in accordance with a formula set out in the scheme unless our board has stipulated otherwise on the date of grant. The formula allows for the gradual vesting of the options over a three year period. Options that have not been exercised will normally lapse on the tenth anniversary of grant. Options may, however, be exercised early, for example, if an optionholder ceases to be an employee due to injury, disability, redundancy or retirement.

If an optionholder ceases to work for lastminute.com on grounds of poor performance or misconduct all his/her options will lapse immediately.

In the circumstances of a takeover, scheme of arrangement or winding-up, the options must be exercised within six months of such cessation.

In the event of a voluntary winding-up options may be exercised until the start of the winding up and any options which have not been exercised will lapse on the winding up. In the event of a winding up by the court options may be exercised within two months after the date of the winding-up-order and any options which have not been exercised during the two month period will lapse at the end of the period.

Exchange of options. In the event of a change of control, optionholders may exchange their options for options over shares in the acquiring company.

Variation in share capital. Options may be adjusted following certain variations in share capital, including a capitalisation of reserves, an issue of securities by way of rights, open offer or placing, or a sub division, reduction or consolidation of capital.

Issue of shares. Shares issued on the exercise of options will rank equally with shares in issue at that time, except in respect of rights arising by reference to a prior record date.

Scheme limits. The number of shares which may be allocated under the scheme on any day must not exceed 15% of our issued share capital when added to the total number of shares allocated in the previous 10 years under the scheme and any other employee share scheme operated by us. For these purposes, allocate means, in relation to a share option scheme, placing unissued shares under option, and, in relation to other types of employee share schemes, the issue and allotment of shares.

Amendments. Our board or an authorised committee may amend any provision of the scheme provided that any amendment which would prejudice the subsisting rights of optionholders requires the prior written consent of existing optionholders who hold options exercisable over at least three quarters of the total number of shares underlying options granted under the scheme.

Termination. Our board or an authorised committee may, at any time, terminate the scheme. If this happens, no further options will be granted but the provisions of the scheme will continue in relation to options already granted.

The lastminute.com plc 2000 Approved Executive Share Option Scheme

The rules of this scheme are drafted as an Inland Revenue-approved scheme, with the intention that all options granted under the scheme would be eligible for favourable tax treatment. The scheme obtained approval by the board of the Inland Revenue on June 1, 2000. The terms of this scheme are, in all material respects, the same as those of the 2000 Unapproved Executive Share Option Scheme, subject to the differences described below:

Individual limit. An employee's participation in the scheme is limited so that, at any one time, the aggregate market value of our shares subject to outstanding options granted to him under approved executive share option schemes established by us or any associated company does not exceed £30,000.

lastminute.com Non-Executive Share Option Scheme 2000

The terms of this scheme are, in all material respects, the same as those of the 2000 Unapproved Executive Share Option Scheme, subject to the differences outlined below.

Eligibility. Any or our director are eligible to participate in the scheme. (It is intended that this scheme will be used only for non-executive directors)

Grant of options. Our board may grant options at its discretion and options may be granted at any time but may not be granted after 10 years beginning from the date the scheme was adopted. In relation to any option granted during 2000 the exercise price was the market value of a share on the date on which the appointment of the optionholder as a director was publicly announced and subject to any exceptional circumstances acknowledged by the board, the exercise price of any option granted during or after 2001 will be the market value of a share on a date of grant.

Scheme limits. The number of shares, which may be allocated under the scheme on any day, must not exceed 12% of our issued share capital when added to the total number of shares allocated in the previous ten years under the schemes and any other employee share scheme operated by us. For these purposes, allocate means, in relation to a share option scheme, placing unissued shares under option, and, in relation to other types of employee share scheme, the issue and allotment of shares.

Share Ownership

Directors' Interests in Shares

The directors' interests in ordinary shares were as follows (the 1999 comparatives have been restated for the effects of the 284 for 1 bonus issue on February 15, 2000):

	September 30, 2000	September 30, 1999
	No.	No.
Robert Collier	13,157	—
Brent Hoberman(1)	15,708,860	16,929,000
Martha Lane Fox	10,182,425	11,024,655
Brian Collie	13,155	—
Laurent Laffy(2)	25,738,065	21,909,660
Linda Fayne Levinson(3)	13,371,280	11,623,440
Thomas Teichman(4)	1,750,700	1,879,005

(1) Comprises shares held by Dotcom Investments Holdings, Inc. which is wholly-owned by a discretionary trust of which Mr Hoberman is a beneficiary.

(2) Arts Alliance Advisers is the investment advisor to Cheetah International Investments Limited. Mr Laffy is a partner in Arts Alliance Advisers and has a beneficial interest in 45,600 of the ordinary shares held by Cheetah International Investments Limited.

(3) Levinson is a partner of Global Retail Partners, L.P. and its affiliates, which have an interest in 13,371,280 ordinary shares. Ms Levinson disclaims beneficial ownership of these shares, except for her proportional interest therein, if any.

(4) Comprises 1,629,005 shares owned directly by Mr Teichman and 121,695 shares owned by NewMedia Investors Limited. Mr Teichman is the chairman and founder of NewMedia Investors Limited and owns 57.6% of the outstanding shares in NewMedia Investors Limited. Therefore he shares beneficial ownership of the shares held by NewMedia Investors Limited. Mr Teichman served as a director from May 1998 to March 2001.

On October 11, 2000, Allan Leighton purchased 70,000 shares in the market for 135.21p per share. On October 23, 2000, Pierre Alzon was allotted 1,983,835 shares for 139p per share as part of the consideration for the acquisition of the Degriftour group. On December 8, 2000, Brian Collie purchased 6,000 shares in the market for 80p per share.

On March 21, 2001, Allan Leighton and Brent Hoberman purchased 127,273 shares each in the market for 39.2857p per share and Martha Lane Fox purchased 25,454 shares for 39.2857p per share.

As of March 21, 2001, there have been no further changes in the directors' shareholdings.

Directors' Interests in Shares and Options

Directors' interests in share options over ordinary shares are as follows (the 1999 amounts have been restated for the effects of the 284 for 1 bonus issue on February 15, 2000).

	Exercise price	At October 1, 1999	Granted during year	Exercised during year	Total September 30, 2000
	pence	No.	No.	No.	No.
Executive Directors:					
Brent Hoberman	2.31	151,335	—	—	151,335
Martha Lane Fox	2.31	129,675	—	—	129,675
Non-Executive Directors:					
Pieter Bouw	2.31	641,250	—	—	641,250
Robert Collier	2.31	360,265	—	—	360,265

The options were granted in accordance with the terms and conditions laid out in the 1998 Unapproved Executive Share Option Scheme and are exercisable between December 11, 2000 and November 1, 2008.

The market price of lastminute.com's shares on September 30, 2000 was 139p. Since the listing of the shares on the London Stock Exchange and ADRs on the Nasdaq National Market on March 21, 2000, the high and low prices were 333.5p and 39.5p as of March 21, 2001.

On January 8, 2001, Mr Leighton was awarded one million share options at an exercise price of 137.5p as fees for services over the term of his appointment, and Mr Alzon was awarded 84,995 share options at an exercise price of 119.5p, the mid-market closing price as at October 31, 2000.

As of March 21, 2001, there have been no further changes in the directors' Interests in Options.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our shares at March 21, 2001.

	Number of ordinary shares	%
Cheetah International Investments Ltd.	25,738,065	15.1
The Reverse Family	15,366,000	9.0
Global Retail Partners, L.P.	13,371,280	7.9
Innovacom 3	7,595,820	4.5
BAA plc	6,122,655	3.6
Intel Corporation	5,587,710	3.3
Venture Partners Multimedia ASA	5,103,210	3.0

On February 15, 2000, lastminute.com plc acquired Last Minute Network Limited in a share for share exchange. Holders of Last Minute Network Limited's Ordinary Shares, Preference A Shares and Preference B Shares received the equivalent number of ordinary shares, Preference A Shares and Preference B Shares, respectively, in lastminute.com plc.

Our existing ordinary shares carry equal voting rights.

As at March 21, 2001, we have approximately 160,000 shareholders and 3 ADR holders of record.

So far as we are aware, we are neither directly nor indirectly owned or controlled by one or more corporations or by any government.

We do not know of any arrangements the operation of which might result in a change in control of lastminute.com.

Transactions with Related Parties

Shareholder Agreements

Last Minute Network Limited entered into a subscription and shareholders' agreement on June 29, 1998 with Brent Hoberman, Martha Lane Fox, Riverdale International S.A., Cheetah International Investments Limited, Venture Partners Multimedia ASA, Innovacom 3 and a group of individual investors known as the NewMedia Group (collectively, the ''Investors''), pursuant to which the Investors agreed to subscribe for shares in Last Minute Network Limited and the parties agreed on a number of provisions for the management and regulation of our business.

On May 21, 1999, Last Minute Network Limited entered into a shareholders' agreement with Brent Hoberman, Martha Lane Fox, the Investors and a number of new investors pursuant to which the new investors agreed to subscribe for further shares in Last Minute Network Limited and agreed a number of provisions for the management and regulation of our business. This agreement was terminated at the closing of the initial public offering, except in relation to the investors' registration rights.

Last Minute Network Limited then entered into two supplemental shareholders' agreements on June 4, 1999 and November 16, 1999 pursuant to which the Investors and a number of new investors agreed to subscribe for further shares in Last Minute Network Limited. On February 4, 2000, Last Minute Network Limited entered into a third supplemental shareholders' agreement with Brent Hoberman, Martha Lane Fox and other existing investors, pursuant to which BAA plc, Bass plc, Mitsubishi Corporation Finance plc, Priceline.com Incorporated, Sony Music, Sheraton International Inc., Viventures FCPR and some of the existing investors agreed to subscribe for shares in Last Minute Network Limited and to become party to its amended shareholders' agreement.

On February 15, 1999 lastminute.com entered into a share exchange agreement with all the shareholders in Last Minute Network Limited, pursuant to which the shareholders agreed to exchange their shares in that company for shares in lastminute.com having the same rights, and also entered into a deed of adherence to the amended shareholders' agreement. The shareholders' agreement was terminated at the closing of the initial public offering, except in relation to the investors' registration rights described below.

On February 22, 2000, Last Minute Network Limited entered into a deed of indemnity with lastminute.com plc pursuant to which Last Minute Network Limited agreed to bear any costs or expenses incurred by lastminute.com plc prior to admission of lastminute.com to the Official List of the London Stock Exchange and only to re-charge to lastminute.com plc amounts which it could set off against its share premium account.

Registration Rights

After the listing of our ordinary shares on the London Stock Exchange and ADRs on the Nasdaq National Market, the shareholders who are parties to the amended and restated shareholders' agreement dated May 21, 1999 have demand and incidental registration rights relating to the registration of their shares under the U.S. Securities Act of 1933. Under the terms of this agreement, the holders of not less than 25% of outstanding shares that remain unregistered are entitled to exercise these rights. No more than two registration requests may be made. These registration rights have been exercisable since December 21, 2000. We are required to pay all expenses incurred in effecting any registration pursuant to the amended and restated shareholders' agreement, except underwriting discounts, selling commissions and stock transfer taxes and legal fees of the holders. Each of the new strategic investors from our fourth round of financing was granted demand and incidental registration rights on the same terms as our existing shareholders.

Acquisition Agreements

On January 26, 2000, Last Minute Network Limited entered into an agreement with Christian Gourmet, Carine Gregoire, Fabrice Louette, Alain Mbange and Olivier Renard pursuant to which it acquired all the outstanding shares in Last Minute S.P.R.L., a Belgium company, for a total consideration of $100,000 of which approximately $20,000 was settled by the allotment of 32 ordinary shares.

On August 11, 2000 we, together with our French subsidiary Last Minute Network S.A.R.L. entered into an agreement to purchase the total share capital of the Degriftour group with Francise Reverse, Pierre Henri Alzon, Pierre Jacque Alzon, Philippe Merlhiot and Frederic Battut and their respective spouses and children as sellers of the Degriftour group for part consideration of £21,108,496. On the same day, 19,700,000 ordinary shares of 1p each were issued at a market value of £1.39 also in consideration for that acquisition. On October 23, 2001 we will pay €10,000,000 as deferred consideration for that acquisition. Please see Item 4 — "Recent Developments" for further discussion of the acquisition of the Degriftour group of companies.

Other Agreements

Brent Hoberman agreed to sell two domain names to us for a total consideration of £1,000.

Martha Lane Fox has given a personal bond to Civil Aviation Authority for £131,000 on our behalf in connection with our ATOL licence. Ms Lane Fox received no remuneration for providing this guarantee.

ITEM 8. FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

Reference is made to Item 18 for a list of all financial statements filed as part of this Annual Report.

For information on legal proceedings, please refer to Item 4 — "Information on The Company" above.

Significant Changes

Please refer to Item 5 — "Operating and Financial Review and Projects."

ITEM 9. THE OFFER AND LISTING

Offer and Listing Details

Our shares have been listed on the Official List of the U.K. Listing Authority and traded on the London Stock Exchange under the symbol "LMC" and our ADSs have been quoted on the Nasdaq National Market under the symbol "LMIN" since March 21, 2000.

The following table sets forth for the periods indicated the highest and lowest middle market quotations for the ordinary shares, as derived from the Daily Official List of the U.K. Listing Authority.

Month	High	Low	High	Low
	(p)		(US$)	
March 2000	488	240	7.67	3.82
April 2000	223	152	3.56	2.41
May 2000	255	123	3.90	1.83
June 2000	213	132	3.22	1.96
July 2000	213	154	3.21	2.30
August 2000	186	151	2.70	2.26
September 2000	192	133	2.80	1.93
October 2000	140	120	2.05	1.71
November 2000	120	72	1.73	1.01
December 2000	83	72	1.19	1.03
January 2001	88	65	1.29	0.97
February 2001	76	54	1.12	0.77
March 2001 (through March 21, 2001)	58	40	0.84	0.57

On March 21, 2001, the closing price on the London Stock Exchange was 39.5p per share.

Our ADSs, each representing five shares, are quoted on the Nasdaq National Market. Morgan Guaranty Trust Company of New York is our depositary issuing ADRs under the deposit agreement dated as of March 14, 2000 among us, Morgan Guaranty Trust Company of New York, as depositary, and the holders from time to time of ADRs.

The following table sets forth, for the periods indicated, the reported high and low stock prices of our ADSs on the Nasdaq National Market:

Month	High	Low
	(US$)	
March 2000	36.00	18.75
April 2000	17.63	10.00
May 2000	20.00	9.23
June 2000	15.13	9.00
July 2000	15.75	11.50
August 2000	13.50	10.56
September 2000	13.25	9.50
October 2000	10.00	8.06
November 2000	8.88	5.00
December 2000	5.88	5.00
January 2001	6.25	4.50
February 2001	5.69	3.69
March 2001 (through March 21, 2001)	4.44	2.63

On March 21, 2001 the closing price on the Nasdaq National Market was $2.63 per ADS.

As at March 21, 2001, there were 3 holders of record of ADRs and approximately 160,000 holders of shares. ADRs represented approximately 1.6% of the outstanding shares as of such date.

ITEM 10. ADDITIONAL INFORMATION

Memorandum and Articles of Association

Information with respect to the Item 10(B), Memorandum and Articles of Association, is hereby incorporated into this Annual Report by reference to the Form F-1 Registration Statement (File No. 333-11582), filed with the Commission on March 21, 2000.

Material Contracts

Material Contracts relating to lastminute.com

Any material contract has been discussed within Items 3 — 11.

Warrant Instruments

On January 31, 2000 and February 14, 2000, we executed performance-based warrant instruments pursuant to which we may grant warrants to acquire up to 5,544,675 and 5,543,250, respectively, of our ordinary shares to each of Lufthansa and Virgin Atlantic Airways, two of our key airline suppliers, if they achieve specified levels of ticket sales through our web site during five six-month measuring periods commencing on January 1, 2000 and March 1, 2000, respectively. Each warrant will be exercisable for an ordinary share during a 60 day period commencing three years after the date it is issued at an exercise price of £0.37 per share, subject to customary adjustments in the event of specified events. We may terminate the warrant instrument and cancel the related warrants in exchange for a cash payment if the airline fails to achieve specified minimum levels of sales in the first two measuring periods. We also may cancel a portion of the warrants granted in respect of a measuring period if the airline fails to achieve a specified minimum level of sales in the subsequent measuring period. As at the end of the first two measuring periods neither airline had met the sales performance targets set and as a result we did not issue any warrants under these agreements. However to date the warrant instruments have not been cancelled.

In connection with these warrants, lastminute.com will not recognise any expense for U.K. GAAP purposes. However, for U.S. GAAP purposes, under Emerging Issues Task Force Consensus 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", we expect to incur non-cash charges which may have a significant impact on our results of operations. As these charges will be based on the fair value of the warrants on the date they are issued, the amount and timing of these charges cannot currently be determined. We may enter into similar agreements to issue warrants from time to time.

Exchange Controls

Other than withholding tax (see below "Taxation"), there are currently no U.K. governmental laws, decrees or regulations that restrict the export of import of capital or that affect the payment of dividends, interest or other payments to non-resident holders of lastminute.com shares or ADSs. However, a 1.5% stamp duty reserve tax is payable upon the deposit of ordinary shares in connection with the creation of but not subsequent dealing in American Depositary Receipts. This is in lieu of the normal 0.5% stamp duty on all purchases of ordinary shares.

There are foreign exchange control restrictions on the ability of certain affiliates to transfer funds to us. These take the form of notification or, in some cases, prior approval in connection with the servicing of foreign debt, the remittance of dividends and branch profits, the repatriation of capital and the payment of royalties and technical service and management fees. We do not believe that such restrictions have a material adverse effect on us or on our ability to meet our cash flow requirements, including the payment of dividends.

Fluctuations in the exchange rate between the pound sterling and the U.S. dollar will affect, among other things, the U.S. dollar equivalent of the pound sterling price of our shares on the London Stock Exchange which is likely to affect the market price of our ADSs on the Nasdaq National Market.

There are currently no limitations, either under English law or in our articles of association, on the rights of non-residents to hold or vote. In addition, there are currently no U.K. foreign exchange control restrictions on the conduct of our operations or affecting the remittance of dividends on listed shareholders' equity.

It is, however, the current practice of lastminute.com to send notices or other documents to all shareholders regardless of the country recorded in the register of members as part of the service to the overseas shareholder save where this would not be permissible under specific jurisdictions.

Taxation

The following is a summary of the principal U.S. federal and U.K. tax consequences of the ownership and disposition of shares or ADSs evidenced by ADRs.

This summary applies to you only if you are a beneficial owner of ADSs or shares and you are:

- a citizen or resident of the United States for U.S. federal income tax purposes,
- a corporation, or other entity treated as a corporation, created or organized under the laws of the United States or any State within the United States, or
- otherwise subject to U.S. federal income tax on a net income basis in respect of the shares or ADSs.

United Kingdom Tax Considerations

This discussion summarises the material U.K. tax consequences of the acquisition, ownership and disposition of shares or ADSs by you if you are not resident or ordinarily resident in the United Kingdom for U.K. tax purposes

You should consult your own tax advisors as to the particular tax consequences to you under U.K. laws of the acquisition, ownership and disposition of shares or ADSs.

Taxation of Dividends and Distributions

Under current U.K. taxation legislation, no tax is required to be withheld at source from cash dividend payments by us.

United Kingdom Taxation of Capital Gains

If you are not resident or ordinarily resident in the United Kingdom then, subject to the comments below, you will not ordinarily be liable for U.K. tax on capital gains realised on the disposal of a share or ADS for tax purposes unless, at the time of the disposal, you carry on a trade, profession or vocation in the United Kingdom through a branch or agency and the share or ADS you dispose of is, or has been, held or acquired for the purposes of that trade or branch or agency carried on by you in the United Kingdom.

If you are an individual and on or after March 17, 1998 have ceased to be resident or ordinarily resident for tax purposes in the United Kingdom and continue not to be resident or ordinarily resident in the United Kingdom for a period of less than five years of assessment and dispose of shares or ADSs during that period, you may also be liable on your return to the United Kingdom to U.K. tax on capital gains, subject to any available exemption or relief, notwithstanding that you are not resident or ordinarily resident in the United Kingdom at the time of the disposal.

United Kingdom Inheritance Tax

Shares or ADSs are assets situated in the United Kingdom for the purposes of U.K. inheritance tax. Subject to the discussion of the estate tax treaty in the next paragraph, if you are an individual, shares or ADSs beneficially owned by you will be subject to U.K. inheritance tax on your death or, in some circumstances, if the ADSs are the subject of a lifetime gift made by you, including a transfer at less than full market value. U.K. inheritance tax is not generally chargeable on gifts to individuals or to some types of settlement made more than seven years before the death of the donor. Special rules apply to shares or ADSs held in a settlement.

If you are an individual and your domicile is determined to be the United States for purposes of the estate tax treaty, and you are not a national of the United Kingdom a share or ADS held by you, will not be subject to U.K. inheritance tax on your death or on a lifetime transfer of the share or ADS except where the share or ADS:

- is part of the business property of a U.K. permanent establishment of an enterprise, or
- pertains to a U.K. fixed base of an individual used for the performance of independent personal services.

The estate tax treaty generally provides a credit against U.S. federal tax liability for the amount of any tax paid in the U.K. in a case where the share or ADS is subject both to U.K. inheritance tax and to U.S. federal estate or gift tax.

United Kingdom Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

U.K. stamp duty will, subject to specific exceptions, be payable on any instrument pursuant to which shares in registered form are transferred:

- to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or
- to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts.

The applicable stamp duty rate will be 1.5%, rounded up to the nearest £5, of the amount or value of any consideration given for the shares or of the value of the shares where the transfer is otherwise than on sale.

This would include transfers of shares in registered form to the custodian for deposits under the ADS deposit agreement. SDRT will also be payable in these circumstances, and on the issue of shares to the custodian. The applicable rate of SDRT will be 1.5% of the issue price where shares are issued, of the amount or value of the consideration where shares are transferred for money or money's worth and of the value of the shares in any other case. In practice no SDRT will be payable if stamp duty equal to the SDRT liability is paid. In circumstances where stamp duty is not payable on the transfer of shares in registered form to the custodian at the rate of 1.5%, for example where there is no chargeable instrument, SDRT will be payable to bring the charge up to 1.5% in total. In accordance with the terms of the ADS deposit agreement, any tax or duty payable by the custodian or its nominees or agents on any transfers of shares to them in registered form will be charged by the custodian to the party to whom the corresponding ADRs are delivered.

lastminute.com agreed to pay any U.K. stamp duty or SDRT charges arising as a result of the issue by lastminute.com of shares to the custodian pursuant to the March 2000 offering. In accordance with the terms of the deposit agreement, any stamp duty, SDRT or other taxes or duties payable by the custodian on any other deposit of shares will be charged by the custodian to the holder of the ADS or any deposited security represented by the ADS.

No U.K. stamp duty will be payable on a transfer of an ADS, provided that the relevant instrument of transfer is not executed in or brought into the United Kingdom. An agreement to transfer an ADS will not give rise to SDRT. On a transfer of shares from the custodian to a holder of an ADS upon cancellation of the ADS, a fixed stamp duty of £5 per instrument of transfer will be payable. Any transfer for value of the underlying shares represented by ADSs or agreement to transfer these underlying shares may give rise to a liability on the transferee to stamp duty or SDRT.

No U.K. stamp duty and, except as described above, no SDRT will be payable on the issue of shares by lastminute.com.

Subject to some exceptions, a transfer on sale of shares in registered form will attract *ad valorem* U.K. stamp duty at the rate of 0.5% (rounded up to the nearest 0.5%) of the amount or value of the consideration for the transfer. Generally, *ad valorem* stamp duty applies neither to gifts nor on a transfer from a nominee to the beneficial owner, although in cases of transfers where no *ad valorem* stamp duty arises, a fixed U.K. stamp duty of £5 may be payable. SDRT at a rate of 0.5% of the amount or value of the consideration for the transfer may be payable on an unconditional agreement to transfer shares. If within six years of the date of the agreement or, if the agreement was conditional, the date the agreement became unconditional, an instrument transferring the shares is executed and stamped, any SDRT paid may be repaid or, if it has not been paid the liability to pay the SDRT, but not necessarily interest and penalties, would be cancelled. SDRT is chargeable whether the agreement is made or effected in the United Kingdom or elsewhere and whether or not any party is resident or situated in any part of the United Kingdom.

SDRT is generally a liability of the purchaser and stamp duty is normally paid by the purchaser.

United States Federal Income Taxation

This discussion summarises the material U.S. federal income tax consequences of the acquisition, ownership and disposition of shares and ADSs.

This summary applies only to holders that will hold shares or ADSs as capital assets. This summary is based upon:

- the current tax laws of the United States, including the Internal Revenue Code of 1986,
- current U.S. Internal Revenue Service practice and applicable U.S. court decisions,
- the U.K.-U.S. income tax treaty as in effect on the date of this prospectus, and
- in part upon representations of the depositary.

This summary assumes that each obligation provided for in, or otherwise contemplated by, the deposit agreement and any related agreement will be performed in accordance with its respective terms.

The following summary is of a general nature and does not address all U.S. federal income tax consequences that may be relevant to you in light of your particular situation. For example, this summary does not apply to:

- investors that own, directly or indirectly, 10% or more of our voting stock,
- banks,
- insurance companies,
- investors liable for the alternative minimum tax,
- individual retirement accounts and other tax-deferred accounts,
- tax exempt organisations,
- dealers in securities or currencies,
- investors that will hold shares or ADSs as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, or
- investors whose functional currency is not the U.S. dollar.

This summary assumes that there is a significant risk that we are a passive foreign investment company (a"PFIC") for U.S. federal income tax purposes for the current taxable year. Our possible status as a PFIC could subject you to adverse U.S. federal income tax consequences. See "Passive Foreign Investment Company Considerations" below.

The summary of U.S. federal income tax consequences set out below is for general information only. You should consult your own tax advisers as to the particular tax consequences to you of acquiring, owning and disposing of the shares or ADSs, including your eligibility for the benefits of the U.K.-U.S. income tax treaty, and the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

U.S. Holders of ADSs

For U.S. federal income tax purposes, an owner of ADSs will be treated as the owner of the corresponding number of underlying shares held by the depositary, and references to shares in the following discussion refer also to ADSs representing the shares.

Taxation of Dividends

We have never paid cash dividends to our shareholders and we currently do not anticipate paying dividends for the foreseeable future. If we were to pay a dividend, then, subject to the PFIC rules discussed below, you would be subject to tax on these dividends as foreign source dividend income to the extent they were paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, and would not be eligible for the dividends received deduction allowed to corporations. Any dividends that exceeded our current and accumulated earnings and profits would be treated as a non-taxable return of capital to the extent of your basis in the shares and thereafter as capital gain. We do not currently intend to calculate our earnings and profits in accordance with U.S. federal income tax principles.

Foreign Currency Dividends

For U.S. federal income tax purposes, the amount of any dividend paid in pounds sterling will equal the fair market value of the pounds sterling on the date they are received by you, in the case of shares, or by the depositary, in the case of ADSs, based on the exchange rate in effect on that date. If you or the depositary convert dividends received in pounds sterling into U.S. dollars on the day they are received, you generally will not be required to recognize foreign currency gain or loss in respect of this dividend income.

Effect of U.K. Tax Credit

Under current law an individual shareholder who is resident in the United Kingdom for U.K. tax purposes and who receives a dividend from us is entitled to claim a tax credit in the United Kingdom against the income tax liability attributable to the dividend. Although you will not be entitled to this U.K. tax credit if you receive a dividend from us, under the U.K.-U.S. income tax treaty you may treat an amount equal to this credit as a tax paid to the U.K. taxing authorities, for which you may claim a U.S. foreign tax credit (as discussed below). Without providing further evidence of payment, you may claim a foreign tax credit for this amount by filing IRS Form 8833 with your income tax return for the relevant year.

Subject to statutory and regulatory limitations, if you make the election on Form 8833 described above you will generally be entitled either to elect a credit against your U.S. federal income tax liability, or take a deduction in computing your U.S. federal taxable income, equal to the U.K. tax credit associated with dividends paid by us. For purposes of computing allowable foreign tax credits for U.S. federal income tax purposes, dividends paid by us will generally be treated as ‘‘passive income’’ or, in the case of holders that are predominantly engaged in the active conduct of a banking, insurance, financing or similar business for U.S. federal income tax purposes, ‘‘financial services income.’’ In some cases, you may be unable to obtain a foreign tax credit, but will instead be allowed a deduction, for the U.K. tax credit associated with a dividend if you:

- have not held the shares for at least 16 days in the 30-day period beginning 15 days before the ex-dividend date; or

- hold the shares in arrangements in which your expected profit, after non-U.S. taxes, is insubstantial.

If you are an accrual basis taxpayer, you must translate U.K. taxes into U.S. dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, but must translate taxable dividend income into U.S. dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. dollar value of the credits for U.K. taxes relative to your U.S. federal income tax liability attributable to a dividend.

You should consult your tax advisers concerning the foreign tax credit implications of making the election on Form 8833 described above.

The United States and the United Kingdom are currently re-negotiating the U.K.-U.S. income tax treaty, and any resulting modifications they make to its current terms may affect your ability to claim a U.S. foreign tax credit for the U.K. tax credit associated with dividends paid by us.

Exchange of ADSs for Shares

You will not recognise gain or loss if you exchange ADSs for your proportionate interest in shares. Your tax basis in withdrawn shares will be the same as your tax basis in the ADSs surrendered, and your holding period for the shares will include the holding period of the ADSs.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, upon a sale or other disposition of ADSs or shares, other than an exchange of ADSs for shares, you will generally recognise capital gain or loss for U.S. federal income tax purposes equal to the difference between the amount realised and your adjusted tax basis in the ADSs or shares. This capital gain or loss will be long-term capital gain or loss if your holding period in the ADSs or shares exceeds one year. Any gain or loss will generally be U.S. source, except that losses will be treated as foreign source to the extent you received dividends that were treated as financial services income during the 24-month period prior to the sale.

Passive Foreign Investment Company Considerations

A foreign corporation will be a PFIC in any taxable year if:

- at least 75% of its gross income is ‘‘passive income,’’ or
- at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

Since the market price of our shares and ADSs is likely to be highly volatile and subject to wide fluctuations, it would be difficult to determine, and we do not intend to determine, whether we will be a PFIC in any year. We may therefore be a PFIC in any year.

If we are a PFIC in any year during which you own shares, and you have not made a mark to market or qualified electing fund election (each as described below), you will generally be subject to special rules (regardless of whether we continue to be a PFIC) with respect to:

- distributions exceeding 125% of the average annual distributions received from us in the previous three taxable years or, if shorter, your holding period for the shares,
- any gain realised on the sale or other disposition of shares.

Under these rules:

- the distribution or gain will be allocated rateably over your holding period,
- the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we were a PFIC will be taxed as ordinary income, and
- the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax applicable to you for that year and an interest charge for the deemed deferral benefit will be imposed on the resulting tax attributable to each of these other taxable years.

If we are a PFIC, you will generally be subject to similar rules with respect to distributions to us by, and dispositions by us of the stock of, any of our direct or indirect subsidiaries that are also PFICs.

You can avoid the interest charge by making a mark to market election with respect to the shares, provided that the shares are ‘‘marketable.’’ Shares will be marketable if they are regularly traded on certain U.S. stock exchanges (including Nasdaq), or on a foreign stock exchange if:

- the foreign exchange is regulated or supervised by a governmental authority of the country in which the exchange is located;

- the foreign exchange has trading volume, listing, financial disclosure, and other requirements designed to prevent fraudulent and manipulative acts and practices, remove impediments to, and perfect the mechanism of, a free and open market, and to protect investors;
- the laws of the country in which the exchange is located and the rules of the exchange ensure that these requirements are actually enforced; and
- the rules of the exchange ensure active trading of listed stocks.

We believe that the London Stock Exchange satisfies these requirements. For these purposes, the shares will be considered regularly traded during any calendar year during which they are traded, other than in negligible quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded.

If you make a mark to market election, you must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the shares at the close of the taxable year over your adjusted basis in the shares. You may also claim an ordinary loss deduction for the excess, if any, of your adjusted basis in the shares over the fair market value of the shares at the close of the taxable year, but this deduction is allowable only to the extent of any net mark to market gains for prior years. Gains from an actual sale or other disposition of the shares will be treated as ordinary income, and any losses incurred on a sale or other disposition of the shares will be treated as an ordinary loss to the extent of any net mark to market gains for prior years. Once made, the election cannot be revoked without the consent of the IRS unless the shares cease to be marketable. If we are a PFIC for any year in which you own shares but before a mark to market election is made, the interest charge rules described above will apply to any mark to market gain recognised in the year the election is made.

In some cases, a shareholder of a PFIC can also avoid the interest charge by making a ''qualified electing fund'' (''QEF'') election to be taxed currently on its share of the PFIC's undistributed income. We do not, however, expect to provide to you the information regarding this income that would be necessary for you to make a QEF election with respect to your shares.

If we are a PFIC, you must make an annual return on U.S. Internal Revenue Service Form 8621, reporting distributions received and gains realised with respect to each PFIC in which you hold a direct or indirect interest.

You should consult your tax advisers concerning the potential application of the PFIC rules.

Backup Withholding and Information Reporting

Payments of dividends and other proceeds with respect to shares by U.S. persons will be reported to you and to the U.S. Internal Revenue Service as may be required under applicable regulations. Backup withholding at a rate of 31% may apply to these payments if you fail to provide an accurate taxpayer identification number or certification of exempt status or fail to report all interest and dividends required to be shown on your U.S. federal income tax returns. Some holders, such as corporations, are not subject to backup withholding. You should consult your tax advisers as to your qualification for an exemption from backup withholding and the procedure for obtaining an exemption.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

We had significant cash balances at September 30, 2000.

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents and short-term investments. We invest surplus funds in AAA/AA rated credit institutions and earn interest at a floating rate that follows LIBOR.

We do not use derivative financial instruments in our investment portfolio. We seek to ensure the safety and preservation of our invested funds by limited default and market risks by investing with high rated financial institutions.

Non-equity share capital was converted into equity share capital during the year ended September 30, 2000. The shareholders upon conversion waived all outstanding liabilities associated with the shares.

No interest is payable in relation to the financial liability which has arisen as a result of deferring payment for the acquisition of the Degriftour group of companies

Exchange Rate Sensitivity

We publish our consolidated financial statements in pounds sterling, which is our functional currency. In the year ended September 30, 2000, 82% of our total revenues were recorded in pounds sterling, as compared to 100% in 1999, and substantially all the rest was in European currencies that now have fixed exchange rates against the euro, but not against the pound sterling. In the future, we expect that a greater portion of our sales will be in the eleven European countries that have adopted the euro as their currency, as well as sales from European countries such as Norway, Sweden, Switzerland and others that have not adopted the euro. Pounds sterling purchases and expenses represented approximately 76% of our cost of sales and operating expenses in the year ended September 30, 2000, as compared to 97% in the previous year. A strengthening of the euro or other European currencies not part of the euro market against the pound sterling would reduce our reported revenues and could reduce our reported operating and net income.

As a result of our significant investment in our French subsidiaries, our balance sheet will be significantly affected by movements in the euro/sterling exchange rate. We do not intend to hedge against this structural currency risk due to the relatively stable nature of the relationship between the two currencies.

We use forward foreign currency contracts to reduce exposure to foreign exchange risk. Instruments are used to hedge a committed, or probable, future transaction, and are deferred until the transaction occurs.

Further details of our policy towards foreign exchange transaction exposure are given in note 22 of the notes to the financial statements.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable to Annual Reports

PART II

ITEM 13. DEFAULTS, DIVIDENDS, ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

On March 21, 2000 lastminute.com listed its ordinary shares on the London Stock Exchange and ADRs representing its ordinary shares on the Nasdaq National Market. Pursuant to a Registration Statement on Form F-1 (Registration No. 333-11582) 33,000,000 ordinary shares, nominal value 1p per share were registered with the U.S. Securities and Exchange Commission. Our Form F-1 Registration Statement was declared effective on March 13, 2000 and our offering commenced on March 14, 2000. The managing underwriter was Morgan Stanley Securities Limited. The total proceeds to us from the offering were approximately £125.4 million before expenses. We incurred expenses, excluding underwriting discounts, of £0.6 million. We paid £8.8 million to the underwriters as underwriting discounts. The net proceeds of the offering to us were £115.9 million. As of December 31, 2000 we had used approximately £19 million of these proceeds to increase our sales and marketing activities and £9 million for product development and to expand in the United Kingdom and internationally. We paid £21.1 million as part consideration for the acquisition of the Degriftour group of companies.

ITEM 15. RESERVED

ITEM 16. RESERVED

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this item.

ITEM 18. FINANCIAL STATEMENTS

The following audited financial statements and related schedules, together with the report of Ernst & Young thereon are filed as part of this Annual Report:

ITEM 19. EXHIBITS

The following exhibits are filed as part of this Annual Report:

Exhibit Number	Description
1.1*	Memorandum and Articles of Association of lastminute.com
2.1*	Form of American Depositary Receipt
2.2*	Form of Deposit Agreement between lastminute.com plc and the Morgan Guaranty Trust Company of New York, as depositary
4.1*	Subscription and Shareholders' Agreement dated June 29, 1998
4.2*	Shareholders' Agreement dated May 21, 1999
4.3*	Subscription Disclosure Letter Agreement dated May 21, 1999
4.4*	First Supplemental Shareholders' Agreement dated June 4, 1999
4.5*	Second Supplemental Shareholders' Agreement dated November 16, 1999
4.6*	Third Supplemental Shareholders' Agreement dated February 4, 2000
4.7*	Deed of Adherence to Shareholders' Agreement dated February 15, 2000
4.8*	Share Exchange Agreement dated February 15, 2000
4.9*	Travel Agency Booking Agreement between Apollo Travel Limited and Last Minute Network Limited dated August 5, 1998
4.10*	Side letter agreement between Apollo Travel Limited and Last Minute Network Limited dated April 31, 1999 (sic)
4.11*	Lufthansa Warrant Instrument dated January 31, 2000
4.12*	Virgin Atlantic Airways Warrant Instrument dated February 14, 2000
4.13*	Acquisition Agreement dated January 26, 2000
4.14*	Service Agreement dated February 24, 2000 between Brent S. Hoberman and lastminute.com plc
4.15*	Service Agreement dated February 24, 2000 between Martha Lane Fox and lastminute.com plc
4.16	Service Agreement dated October 23, 2000 between Pierre Jacque Alzon and Voyages Sur Mesures
4.17*	1998 Unapproved Executive Share Option Scheme
4.18*	1999 Unapproved Executive Share Option Scheme
4.19*	2000 Unapproved Executive Share Option Scheme
4.20*	2000 Approved Executive Share Option Scheme
4.21	2000 Non-Executive Share Option Scheme
4.22	Acquisition Agreement dated August 11, 2000 between lastminute.com plc, lastminute S.A.R.L. and Francis Reversé, Pierre Henri Alzon, Pierre Jacques Alzon, Phillipe Merlhiot and Frédéric Battut and their respective spouses and children
4.23	First Demand Guarantee dated October 23, 2000 between lastminute S.A.R.L., Barclays Bank plc and Francis Reversé, Pierre Henri Alzon, Pierre Jacques Alzon, Phillipe Merlhiot and Frédéric Battut and their respective spouses and children
4.24	First Demand Guarantee dated October 19, 2000 between Banque Eurofin lastminute.com plc, and lastminute S.A.R.L.
4.25	First Demand Guarantee dated 19 October 2000 between Banque Eurofin, lastminute.com plc, and lastminute S.A.R.L.
21.1	List of Subsidiaries

* Previously filed as exhibits to Registration Statement on Form F-1 (Registration No. 333-11582), relating to the registration of 3,939,661 ordinary shares nominal value 1p per share, of lastminute.com plc and incorporated herein by reference.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorised the undersigned to sign this Annual Report on its behalf.

lastminute.com plc

By: /s/ BRENT S. HOBERMAN

Name: Brent S. Hoberman
Title: Chief Executive Officer

Dated: March 27, 2001

LASTMINUTE.COM PLC

REPORT OF INDEPENDENT AUDITORS

To: The Board of Directors
lastminute.com plc

We have audited the accompanying consolidated balance sheets of lastminute.com plc at September 30, 1999 and 2000, and the related consolidated profit and loss accounts and consolidated statements of total recognised gains and losses, cash flows and movements in shareholders' funds for the period April 1, 1998 (inception) to September 30, 1998 and the years ended September 30, 1999 and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United Kingdom auditing standards and United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of lastminute.com plc at September 30, 1999 and 2000, and the consolidated results of its operations and its consolidated cash flows for the period April 1, 1998 (inception) to September 30, 1998 and the years ended September 30, 1999 and 2000 in conformity with accounting principles generally accepted in the United Kingdom which differ in certain respects from those generally accepted in the United States (see note 29 of the notes to the financial statements).

London, England
January 8, 2001

ERNST & YOUNG

LASTMINUTE.COM PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
		(£000, except shares and per share amounts)		
TOTAL TRANSACTION VALUE(1)	*3*	*—*	*2,647*	*34,189*
Turnover	3	—	195	3,740
Cost of sales		—	18	401
Gross profit		—	177	3,339
Operating costs				
Product development		179	1,423	10,353
Sales and marketing		27	1,597	20,711
General and administration		86	1,736	11,792
Total operating costs		292	4,756	42,856
Other operating income		—	12	66
Group operating loss	4	(292)	(4,567)	(39,451)
Share of operating loss in joint venture (net of amortisation of negative goodwill)	15	—	—	(33)
Total operating loss: group and share of joint venture		(292)	(4,567)	(39,484)
Interest receivable	8	7	68	3,777
Interest payable and similar charges	9	—	(1)	(41)
Loss on ordinary activities before taxation		(285)	(4,500)	(35,748)
Tax on loss on ordinary activities	10	1	—	—
Loss for the financial period(2)		(286)	(4,500)	(35,748)
Appropriations				
Non equity: Preference shares	11	10	40	—
Retained loss for the financial period		(296)	(4,540)	(35,748)
Loss per share — basic and fully diluted(3)	12	(0.94)p	(13.51)p	(36.35)p
Weighted average number of Ordinary Shares outstanding(3)		31,488,429	33,595,515	98,347,405

(1) Total transaction value, which is stated exclusive of value added tax and associated taxes, does not represent the Company's statutory turnover. In the majority of transactions, where the Company acts as agent or cash collector, total transaction value represents the price at which goods or services have been sold across the web site. In other cases, for example the reservation of restaurant tables, a flat fee is earned, irrespective of the value of goods or services provided. In such cases total transaction value represents the flat fee commission earned. In the small number of cases where the Company acts as principal, total transaction value represents the price at which goods or services are offered on the web site.

(2) A summary of the differences between accounting principles generally accepted in the United Kingdom and those generally accepted in the United States applicable to the Company is set forth in note 29 of the notes to the financial statements.

(3) Shares and per share amounts have been retroactively adjusted for the 284 for 1 bonus issue of Ordinary Shares on February 15, 2000.

The notes to the financial statements are an integral part of these financial statements.

LASTMINUTE.COM PLC

CONSOLIDATED STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
		(£000)	
Loss for the financial period	(286)	(4,500)	(35,748)
Foreign currency translation differences	—	—	22
Total recognised gains and losses for the period	(286)	(4,500)	(35,726)

(1) The statements of comprehensive income required under United States generally accepted accounting principles are set forth in note 29 of the notes to the financial statements.

The notes to the financial statements are an integral part of these financial statements.

LASTMINUTE.COM PLC

CONSOLIDATED BALANCE SHEETS

	Notes	At September 30, 1999	At September 30, 2000
		(£000)	
Fixed assets			
Intangible assets	13	—	58,636
Tangible assets	14	403	13,972
Investments			
joint ventures			
— gross assets	15	—	230
— gross liabilities	15	—	(23)
— negative goodwill	15	—	(246)
		—	(39)
		403	72,569
Current assets			
Stocks	16	1	52
Debtors	17	743	10,543
Cash at bank and in hand		4,319	103,688
		5,063	114,283
Creditors: amounts falling due within one year	18	2,289	38,301
Net current assets		2,774	75,982
Total assets less current liabilities		3,177	148,551
Creditors: amounts falling due after more than one year	19	—	6,031
Provisions for liabilities and charges	21	614	1,410
		2,563	141,110
Capital and reserves(1)			
Called up share capital		3	1,505
Share premium account		—	112,923
Shares to be issued		—	197
Profit and loss account		(4,826)	(40,464)
Other reserves		662	5,203
Merger reserve		6,724	61,746
Shareholders' funds:			
Equity		(3,899)	141,110
Non-equity		6,462	—
Total shareholders' funds		2,563	141,110

(1) A summary of the differences between accounting principles generally accepted in the United Kingdom and those generally accepted in the United States applicable to the Company is set forth in note 29 of the notes to the financial statements.

The notes to the financial statements are an integral part of these financial statements.

LASTMINUTE.COM PLC

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' FUNDS

Share Capital

Last Minute Network Limited	Ordinary Shares		Preference A Shares		Preference B Shares		Total
	(No.)	(£000)	(No.)	(£000)	(No.)	(£000)	(£000)
Authorised							
On incorporation April 1, 1998 — Ordinary Shares of £1.00	1,000	1	—	—	—	—	1
Ordinary Shares of £1.00 authorised	490	—	—	—	—	—	—
Subdivision of existing £1.00 Ordinary Shares into Ordinary Shares of £0.01	147,510	—	—	—	—	—	—
Preference A Shares of £1.00 authorised	—	—	760	1	—	—	1
At September 30, 1998	149,000	1	760	1	—	—	2
Ordinary Shares of £0.01 authorised	51,000	1	—	—	—	—	1
Preference B Shares of £0.01 authorised	—	—	—	—	350,000	350	350
Subdivision of existing Preference A and Preference B Shares into Preference A and Preference B Shares of £0.01 each	—	—	75,240	—	34,650,000	—	—
At September 30, 1999	200,000	2	76,000	1	35,000,000	350	353
Designation of unissued £0.01 Preference B Shares to £0.01 Ordinary Shares(2)	200,000	2	—	—	(200,000)	(2)	—
Designation of unissued £0.01 Preference B Shares to £0.01 Preference A Shares(2)	—	—	76,000	1	(76,000)	(1)	—
Ordinary Shares of £0.01 authorised(4)	35,547,712	355	—	—	—	—	355
At February 15, 2000	35,947,712	359	152,000	2	34,724,000	347	708
Issued							
On incorporation April 1, 1998 — Ordinary Shares of £1.00	2	—	—	—	—	—	—
Ordinary Shares of £1.00 issued for cash	1,150	1	—	—	—	—	1
Subdivision of existing Ordinary Shares into Ordinary Shares of £0.01	114,048	—	—	—	—	—	—
Preference A Shares of £1.00 issued for cash	—	—	760	1	—	—	1
At September 30, 1998	115,200	1	760	1	—	—	2
Ordinary Shares of £0.01 issued for cash	8,142	—	—	—	—	—	—
Subdivision of existing Preference A and Preference B Shares into Preference A and Preference B Shares of £0.01	—	—	75,240	—	—	—	—
Preference B Shares of £0.01 issued for cash	—	—	—	—	114,432	1	1
Preference B Shares issued on conversion of bridge loan(1)	—	—	—	—	9,516	—	—
At September 30, 1999	123,342	1	76,000	1	123,948	1	3
£0.01 Ordinary Shares and £0.01 Preference B Shares	284	—	—	—	17,191	—	—
£0.01 Ordinary Shares issued in part consideration for the purchase of Last Minute S.P.R.L.	32	—	—	—	—	—	—
£0.01 Preference A Shares issued for cash	—	—	4,595	—	—	—	—
£0.01 Ordinary Shares and £0.01 Preference A and B Shares issued for cash(3)	1,510	—	4,211	—	60,346	1	1
284 for 1 Bonus Issue(4)	35,547,712	355	—	—	—	—	355
At February 15, 2000(5)	35,672,880	356	84,806	1	201,485	2	359

The notes to the financial statements are an integral part of these financial statements.

LASTMINUTE.COM PLC

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' FUNDS — (Continued)

Share Capital — (Continued)

lastminute.com plc	Ordinary Shares		Preference A Shares		Preference B Shares		Total
	(No.)	(£000)	(No.)	(£000)	(No.)	(£000)	(£000)
Authorised							
On incorporation October 1, 1999 — Ordinary Shares of £1.00	100	—	—	—	—	—	—
Subdivision of existing £1.00 Ordinary Shares into to Ordinary Shares of £0.01	9,900	—	—	—	—	—	—
Ordinary Shares of £0.01, Preference A and Preference B Shares of £2.85 authorised	113,990,000	1,140	152,000	433	34,724,000	98,964	100,537
Redesignation of Preference A and Preference B Shares of £2.85 to Ordinary Shares of £0.01	9,939,660,000	99,397	(152,000)	(433)	(34,724,000)	(98,964)	—
At February 15, 2000 and September 30, 2000	10,053,660,000	100,537	—	—	—	—	100,537
Issued							
On incorporation October 1, 1999 — Ordinary Shares of £1.00	2	—	—	—	—	—	—
Subdivision of existing £1.00 Ordinary Shares into Ordinary Shares of £0.01	198	—	—	—	—	—	—
£0.01 Ordinary Shares issued in consideration for the acquisition of Last Minute Network Limited	35,672,680	356	—	—	—	—	356
£2.85 Preference Shares issued in consideration for the acquisition of Last Minute Network Limited	—	—	84,806	242	201,485	574	816
£2.85 Preference Shares converted into £0.01 Ordinary Shares	81,592,935	816	(84,806)	(242)	(201,485)	(574)	—
At February 15, 2000(5)	117,265,815	1,172	—	—	—	—	1,172
£0.01 Ordinary Shares issued for the Initial Public Offering(6)	33,000,000	330	—		—	—	330
£0.01 Ordinary Shares issued in consideration for the provision of services	66,690	1	—	—	—	—	1
Options exercised	241,724	2	—	—	—	—	2
At September 30, 2000	150,574,229	1,505	—	—	—	—	1,505

(1) On May 21, 1999, the Company converted a £350,000 bridge loan into Preference B Shares. The loan was an 8% unsecured convertible loan, convertible at the holders' option at a 25% discount to the fair value of the share price at the date of conversion.

(2) On February 4, 2000, 76,000 and 200,000 of the authorised Preference B Shares were re-designated as 76,000 Preference A Shares and 200,000 Ordinary Shares, respectively.

(3) On February 4, 2000, the Company completed a private placement of 49,856 Preference B Shares with a number of its strategic partners for approximately £19.0 million. In addition, £6.2 million was raised through the issue of Ordinary Shares, Preference A Shares and Preference B Shares to existing shareholders.

(4) On February 15, 2000, the Company increased its authorised share capital to £708,000 by the creation of 35,547,712 new Ordinary Shares. On the same date, the Company effected a bonus issue of 284 Ordinary Shares for each existing Ordinary Share held by capitalising £355,000 of its share premium account. This bonus issue has been reflected in the numbers of Ordinary Shares shown above.

(5) On February 15, 2000, following a Group reconstruction, there was a share for share exchange between lastminute.com plc and Last Minute Network Limited. This was accounted for in accordance with the principles of merger accounting.

(6) On March 21, 2000, the Group completed its initial public offering of 33 million Ordinary Shares raising £125,400,000 before expenses.

The notes to the financial statements are an integral part of these financial statements.

LASTMINUTE.COM PLC

CONSOLIDATED STATEMENTS OF CHANGES IN THE SHAREHOLDERS' FUNDS — (Continued)

Total Shareholders' Funds

	Share capital	Share premium account	Profit and loss account	Other reserves	Merger reserve	Shares to be issued	Total shareholders' funds
				(£000)			
On incorporation April 1, 1998	—	—	—	—	—	—	—
Shares issued	2	599	—	—	—	—	601
Loss for the period	—	—	(296)	—	—	—	(296)
At September 30, 1998	2	599	(296)	—	—	—	305
Shares issued	1	6,125	—	—	—	—	6,126
Loss for the year	—	—	(4,540)	—	—	—	(4,540)
Share-based compensation	—	—	—	672	—	—	672
Transfer relating to options exercised	—	—	10	(10)	—	—	—
At September 30, 1999	3	6,724	(4,826)	662	—	—	2,563
Merger adjustment(1)	—	(6,724)	—	—	6,724	—	—
As restated	3	—	(4,826)	662	6,724	—	2,563
Shares issued in Last Minute Network Ltd.	1	28,191	—	—	—	—	28,192
Bonus issue(2)	355	(355)	—	—	—	—	—
Share Conversion	813	—	—	—	—	—	813
Merger adjustment	—	(27,836)	—	—	27,836	—	—
Shares issued(3)	331	112,910	—	—	—	—	113,241
Loss for the year	—	—	(35,748)	—	—	—	(35,748)
Foreign currency translation differences	—	—	22	—	—	—	22
Share-based compensation	—	—	—	4,582	—	—	4,582
Shares issued as options	2	13	—	—	—	—	15
Transfers relating to options exercised	—	—	41	(41)	—	—	—
Write back of preference A dividend	—	—	47	—	—	—	47
Consideration in relation to purchase of subsidiary undertaking(4)	—	—	—	—	27,186	197	27,383
At September 30, 2000	1,505	112,923	(40,464)	5,203	61,746	197	141,110

(1) As explained in more detail in note 1, the Group reconstruction has been accounted for in accordance with the principles of merger accounting. For this reason the Group balance sheet as at September 30, 1999 has been restated to reflect the effect of the merger, which resulted in a share for share exchange.

(2) On February 15, 2000, the Company effected a bonus issue of 284 Ordinary Shares for each existing Ordinary Share held by capitalising £355,000 of its share premium account.

(3) On March 21, 2000, the Company completed its initial public offering of 33 million ordinary shares raising £125,400,000, before expenses.

(4) On September 30, 2000 the Group obtained control of the Degriftour group of companies as explained in Note 15. 19,700,000 Ordinary £0.01 Shares are to be issued as part consideration on October 23, 2000.

The notes to the financial statements are an integral part of these financial statements.

LASTMINUTE.COM PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
			(£000)	
Net cash outflow from operating activities	24(a)	(212)	(1,904)	(34,652)
Returns on investments and servicing of finance				
Interest received		7	68	3,777
Interest paid		—	(1)	(41)
		7	67	3,736
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(28)	(408)	(12,289)
		(28)	(408)	(12,289)
Acquisitions				
Cash acquired with subsidiary		—	—	747
Net cash outflow before management of liquid resources and financing		(233)	(2,245)	(42,458)
Management of liquid resources				
Increase in short term deposits	24(d)	—	—	(2,547)
Net cash outflow before financing		(233)	(2,245)	(45,005)
Financing				
Issue of share capital		601	5,776	153,875
Costs associated with issue of share capital		—	—	(11,978)
Bridge loan received	24(b)	—	350	—
Increase in cash	24(c)	368	3,881	96,892

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH	Notes	1998	1999	2000
Movement in net cash		368	3,881	96,892
Cash outflow from short term deposits	24(c)	—	—	2,547
		368	3,881	99,439
Net cash at the beginning of the period	24(c)	—	368	4,249
Net cash at the end of the period	24(c)	368	4,249	103,688

The significant differences between the consolidated statements of cash flows presented above and those required under United States generally accepted accounting principles are set forth in note 29 of the notes to the financial statements.

The notes to the financial statements are an integral part of these financial statements.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION

Last Minute Network Limited was incorporated in England and Wales on April 1, 1998 as a private limited company.

Lastminute.com plc (the ''Company'') was incorporated in England and Wales on October 1, 1999 as a private limited company with the name Vibetron Limited. On incorporation, the Company had an authorised share capital of £100 consisting of 100 Ordinary Shares, nominal value £1.00, of which two were issued. On February 15, 2000 the Company re-registered as a public limited company and changed its name to lastminute.com plc.

On February 15, 2000, the Company acquired Last Minute Network Limited in a share for share exchange. Holders of Last Minute Network Limited's Ordinary Shares, Preference A Shares and Preference B Shares received the equivalent number of Ordinary Shares, Preference A Shares and Preference B Shares, respectively, in the Company.

The Group reconstruction has been accounted for in accordance with the principles of merger accounting set out in Financial Reporting Standard No. 6 (FRS 6) and Schedule 4A to the Companies Act 1985.

The Degriftour group of companies (Revalfi S.A.R.L., Voyages Sur Mesures S.A. and Activnet S.A.R.L.) has been included in the consolidated financial statements using the acquisition method of accounting. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition. The date of acquisition was September 30, 2000. Accordingly, the Group profit and loss account and statement of cash flows do not include any results of the Degriftour group for the year ended September 30, 2000. The date of the announcement of the acquisition was August 14, 2000.

2. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard (''FRS'') 15, Tangible Fixed Assets, and FRS 16, Current Tax.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings, comprising mainly Last Minute Network Limited and the Degriftour group, drawn up to September 30. The results of subsidiaries are included in the consolidated profit and loss account from their date of incorporation, except for the Degriftour group of companies. All significant intercompany balances and transactions are eliminated on consolidation.

Entities in which the Group holds an interest on a long-term basis and which are jointly controlled by the Group and one or more other ventures, under contractual arrangement, are treated as joint ventures and accounted for using the gross equity method.

Turnover

In the majority of cases, the Group does not take ownership of the products or services being sold and acts as agent, receiving a commission from the supplier of the products or services being sold. In these cases, turnover represents commission earned less amounts due or paid on any commission shared.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

2. ACCOUNTING POLICIES — (Continued)

In a limited number of cases, the Group acts as principal and purchases the products or services for resale. Where the Group acts as principal, turnover represents the price at which the products or services have been sold across our web site.

Turnover is recognised once charges to the customer's credit card have been made, except for travel as noted below, and is stated exclusive of value added tax and associated taxes.

In previous years turnover related to travel business has been recognised on the date of the booking by the customer. The nature of the business is such that the booking date is close enough to the departure date for there to be no significant difference between recognition on the booking date rather than on the departure date which is the industry norm.

As a result of the acquisition of the Degriftour group, which has historically recognised revenue on the date of departures, the Directors believe that for consistency, all revenue related to travel business should be recognised on the date of departure. The effect of this change in policy for the year ended September 30, 2000 results in total transaction value being £500,000 less and turnover being £50,000 less than would have been reported under the previous policy. No adjustment has been made to the 1999 figures due to the immateriality of the adjustment required.

Product development costs

Product development costs include expenses incurred by the Group to develop, enhance, manage, monitor and operate the web site and databases. Costs are expensed as incurred.

Costs incurred in developing software for internal use, which have measurable economic viability, are capitalised when the software reaches the application development stage and are amortised over the expected useful life of the software. Costs incurred in developing and enhancing the website are capitalised as incurred, if the measurable economic viability of the expenditure can be determined, and are amortised over the expected useful life of the website.

Advertising costs

The Group expenses the cost of advertising, at the time production occurs, and expenses the cost of communicating advertising in the period in which the advertising space or airtime is used.

Deferred taxation

Provision is made or recovery anticipated in respect of all timing differences likely to reverse in the foreseeable future at rates at which the liability or the asset is expected to crystallise.

Foreign currency translation

Transaction revenues and expenses in a foreign currency are recorded at the average rate of exchange for the month during which the transaction or expense occurs. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

The results of overseas operations are translated into pounds sterling at weighted average rates of exchange for the year. Exchange differences arising from the retranslation of opening net assets and results from operations denominated in foreign currencies to period-end rates are taken direct to shareholders' funds. All other exchange differences are charged or credited to income.

2. ACCOUNTING POLICIES — (Continued)

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange risk. Instruments are used to hedge a committed, or probable, future transaction, and are deferred until the transaction occurs.

It is not the Group's policy to enter into any other derivative instruments.

Intangible fixed assets

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life subject to a maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recovered.

Negative goodwill arising on acquisitions is recognised in the balance sheet. Amounts up to the fair value of non-monetary assets acquired are recognised in the profit and loss account in the years in which the non-monetary assets are expected to be recovered. Amounts in excess of the fair value of the non-monetary assets acquired are recognised in the years expected to benefit.

Tangible fixed assets

Tangible fixed assets are stated at cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write off their cost, less estimated residual value based on prices prevailing at the date of acquisition, over the estimated useful lives of the assets, as follows:

Leasehold improvements	Remaining period of the lease
Furniture and equipment	3 years
Computer systems and equipment	3 to 5 years
Computer software	2 to 3 years

Repair and maintenance costs are expensed as incurred.

Stocks

Stocks represent entertainment tickets held for resale, which are stated at the lower of cost, on a first in, first out basis, and net realisable value.

Customer loyalty scheme

The Group operates a customer loyalty scheme. Customers collect redeemable "Award Minutes" in proportion to the total value of goods purchased and can redeem the "Award Minutes" against offers on the web site.

The Group provides for the cost of the expected liability based on the anticipated redemption profile.

Employee share schemes

In accordance with UITF Abstract 17, "Employee Share Schemes", the difference between the exercise price of share options granted under the Group's share option schemes and the fair market value of the underlying Ordinary Shares at the date of grant is charged to the profit and loss account over the period in which the options vest.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

2. ACCOUNTING POLICIES — (Continued)

In previous periods the Group provided for its National Insurance contributions on options granted on or after 6 April 1999 under its unapproved share option schemes. Provision was made at a rate of 12.2% on the difference between the period end share value and the grant price, being the Group's best estimate of the ultimate liability at each period end.

With the issue of UITF published Abstract 25, ''National Insurance on share option gains'', the Group changed its accounting policy with respect to National Insurance on share options and now provides for the expected liability over the period of performance. The impact on the year ended September 30, 2000, had the prior policy been used, would have been to increase the charge by £1.3 million. The effect of this on the prior years was immaterial.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United Kingdom requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from estimates.

3. TURNOVER AND SEGMENTAL ANALYSIS

The Group is engaged in the provision of last minute travel, leisure and gift solutions to its customers via the Internet and other related electronic distribution platforms. All of the Group's total transaction value and turnover are generated within this segment.

	Total transaction value			Turnover		
	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
	(£000)					
By geographical area						
United Kingdom	—	2,647	33,614	—	195	3,085
Other European Union countries	—	—	575	—	—	655
	—	2,647	34,189	—	195	3,740

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

3. TURNOVER AND SEGMENTAL ANALYSIS — (Continued)

	Net assets/(liabilities)			Net loss		
	At September 30,			April 1, 1998 (inception) to September 30,	Year ended September 30,	
	1998	1999	2000	1998	1999	2000
				(£000)		
By geographical area						
United Kingdom	(63)	(1,520)	20,999	282	4,396	29,937
Other European Union countries	—	(236)	16,462	—	131	9,514
	(63)	(1,756)	37,461	—	4,527	39,451
Joint venture	—	—	(39)	—	—	33
Interest	—	—	—	4	(27)	(3,736)
Interest bearing assets	368	4,319	103,688	—	—	—
	305	2,563	141,110	286	4,500	35,748

4. OPERATING LOSS

This is stated after charging:

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
		(£000)	
Auditors' remuneration — audit services	—	5	172
— non-audit services(1)	—	23	141
Advertising expenditure	—	750	8,979
Depreciation and amortisation	—	33	1,317
Operating lease rentals — land and buildings	3	63	522
Non-cash share-based compensation:			
Product development	—	169	1,374
Sales and marketing	—	218	1,604
General and administration	—	285	1,604
	—	672	4,582
Provision for Company National Insurance contributions in relation to non-cash share-based compensation:			
Product development	—	144	26
Sales and marketing	—	198	31
General and administration	—	258	31
	—	600	88

(1) This amount excludes the Ernst & Young fees charged in relation to the Company's initial public offering and listing on the London Stock Exchange and Nasdaq National Market and the Company's acquisition of the Degriftour group. The total of these fees amounted to £930,000.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

5. DIRECTORS' REMUNERATION

The remuneration of the directors was as follows:

	April 1, 1998 (inception) to September 30, 1998			
	Basic salary and fees	Pensions	Benefits	Total
		(£)		
Executive Directors				
Brent Hoberman	11,306	—	—	11,306
Martha Lane Fox	8,940	350	—	9,290
	20,246	350	—	20,596

	Year ended September 30, 1999			
	Basic salary and fees	Pensions	Benefits	Total
		(£)		
Executive Directors				
Brent Hoberman	55,083	—	700	55,783
Martha Lane Fox	45,000	6,300	450	51,750
Non-executive Directors				
Pieter Bouw	5,500	—	—	5,500
Robert Collier	5,500	—	—	5,500
	111,083	6,300	1,150	118,533

	Year ended September 30, 2000			
	Basic salary and fees	Pensions	Benefits	Total
		(£)		
Executive Directors				
Brent Hoberman	133,058	—	3,122	136,180
Martha Lane Fox	110,600	500	3,331	114,431
Non-executive Directors				
Pieter Bouw	6,000	—	—	6,000
Robert Collier	6,000	—	—	6,000
	255,658	500	6,453	262,611

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

5. DIRECTORS' REMUNERATION — (Continued)

The directors' beneficial interests in Ordinary Shares, restated for the effects of the 284 for 1 bonus issue on February 15, 2000, were as follows:

		At September 30,		
	On inception	1998	1999	2000
		(No.)		
Brent Hoberman	—	16,929,000	16,929,000	15,708,860
Martha Lane Fox	—	11,286,000	11,024,655	10,182,425
Thomas Teichman	—	1,482,000	1,879,005	1,750,700
Linda Faye Levinson	—		11,623,440	13,371,280
Brian Collie	—	—	—	13,155
Laurent Laffy	—	—	21,909,660	25,738,065
Robert Collier	—	—	—	13,157
	—	29,697,000	63,365,760	66,777,642

There have been no changes in the directors' shareholdings since the balance sheet date, except as noted below.

On October 11, 2000, Allan Leighton purchased 70,000 shares in the market for 135.21p per share. On October 23, 2000, Pierre Alzon was allotted 1,983,835 shares for £1.39 per share as part consideration for the acquisition of the Degriftour group. On December 8, 2000 Brian Collie purchased 6,000 shares in the market for 80p per share.

On March 21, 2001 Allan Leighton and Brent Hoberman purchased 127,273 shares each in the market for 39.2857p per share and Martha Lane Fox purchased 25,454 shares for 39.2857p per share.

The director's interests in share options over Ordinary Shares, restated for the effects of the 284 for 1 bonus issue on February 15, 2000, were as follows:

		At September 30,		
	On inception	1998	1999	2000
		(No.)		
Brent Hoberman	—	151,335	151,335	151,335
Martha Lane Fox	—	129,675	129,675	129,675
Pieter Bouw	—	—	641,250	641,250
Robert Collier	—	—	360,265	360,265
	—	281,010	1,282,525	1,282,525

6. EMPLOYEE SHARE SCHEMES

The Group has five employee share schemes — the Last Minute Network Limited 1998 Unapproved Executive Share Option Scheme, the Last Minute Network Limited 1999 Unapproved Executive Share Option Scheme, the lastminute.com plc 2000 Unapproved Executive Share Option Scheme (the "Unapproved Executive Schemes"), the lastminute.com plc 2000 Approved Executive Share Option Scheme and the lastminute.com plc Non-executive Share Option Scheme. To date, the Group has granted options under all of these schemes.

Subject to the satisfaction of any performance condition and the continuous employment of the option holder for at least six months prior to exercise, options are normally exercisable in accordance with a formula set out in

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

6. EMPLOYEE SHARE SCHEMES — (Continued)

the Unapproved Executive Schemes. The formula allows for the gradual vesting of the options over a three-year period from the date of grant. Options, which have not been exercised, will normally lapse on the tenth anniversary of grant.

Options may also be exercised in the event of a change in control of the Company. In these circumstances, an option will become exercisable for a period of 30 days from the date on which the sale becomes unconditional (following which it will lapse), provided that the option holder exercises his option on terms that he agrees to sell the shares acquired on the terms offered to him by the acquiring company.

A summary of activity for share options, restated for the effects of the 284 for 1 bonus issue on February 15, 2000, issued is shown below:

	April 1, 1998 (inception) to September 30, 1998		Year ended September 30, 1999		Year ended September 30, 2000	
	Number of options granted	Weighted average exercise price	Number of options granted	Weighted average exercise price	Number of options granted	Weighted average exercise price
	(No.)	(p)	(No.)	(p)	(No.)	(p)
Options outstanding:						
Beginning of the period	—	—	1,274,805	2.31	10,995,015	5.74
Granted	1,274,805	2.31	9,784,335	6.15	6,521,721	100.65
Exercised	—	—	(64,125)	2.31	(232,604)	6.49
Lapsed	—	—	—	—	(491,593)	130.82
End of period	1,274,805	2.31	10,995,015	5.74	16,792,539	40.64
Range of exercise prices		2.31		2.31 to 73.93		2.31 to 218
Options exercisable, end of the year	—	—	—	—	7,125,473	2.31 to 133.87

The following tables summarise information about the range of exercise prices, restated for the effects of the 284 for 1 bonus issue of Ordinary Shares on February 15, 2000, for share options outstanding at September 30, 1999 and September 30, 2000.

September 30, 1999

Exercise price	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price
(p)	(No.)	(Years)	(p)
2.31	8,568,240	9.15	2.31
12.05	1,045,950	9.63	12.05
17.21	1,257,705	9.70	17.21
73.93	123,120	9.86	73.93
	10,995,015	9.62	5.74

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

6. EMPLOYEE SHARE SCHEMES — (Continued)

September 30, 2000

Exercise price	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price
(p)	(No.)	(Years)	(p)
2.31	8,244,134	7.85	2.31
12.05	1,045,950	8.63	12.05
17.21	1,147,140	8.70	17.21
36.96	1,774,125	9.13	36.96
73.93	719,896	9.03	73.93
106.87	855,000	9.33	106.87
133.87	2,066,639	9.34	133.87
210.00	22,483	9.39	210.00
218.00	15,794	9.50	218.00
138.00	290,869	9.58	138.00
209.00	43,452	9.67	209.00
152.00	418,685	9.75	152.00
186.00	44,816	9.83	186.00
139.00	63,556	9.91	139.00
150.00	40,000	9.92	150.00
	16,792,539	8.50	40.64

The weighted average fair values, restated for the effects of the 284 for 1 bonus issue on February 15, 2000, of share options granted during the period April 1, 1998 (inception) to September 30, 1998, the year ended September 30, 1999 and the year ended September 30, 2000, were 0.32p, 22.07p and 66.54p, respectively. The fair values were determined using the Black-Scholes option-pricing model. The weighted average assumptions used in the Black-Scholes model were as follows:

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
Dividend yield	0%	0%	0%
Expected volatility	0.001%	0.001%	70%
Risk free interest rate	7.2%	5.9%	6.2%
Expected life	2.1 years	1.8 years	4.0 years

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

7. STAFF COSTS (including directors)

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	2000
	(£000)		
Wages and salaries	35	688	8,770
Social security costs	2	64	1,154
Pension contributions	—	20	60
Non-cash share-based compensation	—	672	4,582
Group National Insurance contributions on share options	—	600	88
	37	2,024	14,654

The principal Group defined contribution pension scheme is available to U.K. executive directors and employees only. The Group contributes to a grouped personal pension plan to provide retirement and death benefits. The Group currently contributes up to a maximum of 14% of the employees' basic salary to an investment account in the name of the individual employee or pays the cash equivalent direct to the employee. The assets of the plan are separate from those of the Group and are managed by Standard Life.

Most other Group companies have defined contribution pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned.

Non-cash share-based compensation represents the difference between the exercise price of share options granted and the fair market value of the underlying Ordinary Shares at the date of grant. As the options granted to date gradually vest over three years, the difference is being taken to the profit and loss account as an operating expense over the vesting period.

The average monthly number of employees, including executive directors during the period comprised:

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	2000
	No.		
Product development	1	15	44
Sales and marketing	1	6	182
General and administration	2	8	81
	4	29	307

8. INTEREST RECEIVABLE

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	2000
	(£000)		
Bank interest	7	68	3,777

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

9. INTEREST PAYABLE AND SIMILAR CHARGES

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
		(£000)	
Bank overdrafts	—	1	41

10. TAXATION

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
		(£000)	
U.K. corporation tax	1	—	—

As a result of the losses for the years ended September 30, 1999 and 2000, no corporation tax charge arises in those periods. At September 30, 2000 the Group has estimated U.K. tax losses of £35.5m (1999: £3.3m) available to carry forward without expiry and offset against future trading profits.

11. APPROPRIATIONS

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
		(£000)	
Non Equity:			
Accrual of Preference Dividends	10	40	—

12. LOSS PER ORDINARY SHARE

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
		(£000)	
Loss used for calculation of loss per share	(296)	(4,540)	(35,748)
		(No.)	
Weighted average number of Ordinary Shares in issue	31,488,429	33,595,515	98,347,405

1999 and 1998 amounts have been restated for the effects of the 284 for 1 bonus issue on February 15, 2000.

Securities that could potentially dilute basic earnings per share in the future include share options and warrants. At present it is unlikely that the warrants will be issued, and the share options are anti-dilutive.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

13. INTANGIBLE FIXED ASSETS

	Goodwill (£000)
Cost:	
At October 1, 1998 and 1999	—
Acquisition of subsidiary undertaking	58,636
At September 30, 2000	58,636
Amortisation:	
At October 1, 1998 and 1999	—
Charged during the year	—
At September 30, 2000	—
Net book value:	
At September 30, 2000	58,636
At September 30, 1999	—

Goodwill arises on the acquisition of the Degriftour group (see note 15) and is being amortised evenly over the Directors' estimate of its estimated useful economic life of four years.

14. TANGIBLE FIXED ASSETS

	Leasehold improvements	Furniture and office equipment	Computer systems and equipment	Computer software	Total
			(£000)		
Cost:					
At October 1, 1998	—	3	25	—	28
Additions	—	28	340	40	408
At October 1, 1999	—	31	365	40	436
Additions	830	1,330	3,147	7,225	12,532
Acquisition of subsidiary	—	798	1,119	437	2,354
At September 30, 2000	830	2,159	4,631	7,702	15,322
Depreciation:					
At October 1, 1998	—	—	—	—	—
Provided during the year	—	3	29	1	33
At October 1, 1999	—	3	29	1	33
Provided during the year	69	172	674	402	1,317
At September 30, 2000	69	175	703	403	1,350
Net book value:					
At September 30, 2000	761	1,984	3,928	7,299	13,972
At September 30, 1999	—	28	336	39	403

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

15. INVESTMENTS

Joint Ventures

	Share of net assets	Negative goodwill	Total
		(£000)	
Cost:			
At October 1, 1999	—	—	—
Incorporation	288	(288)	—
Share of loss retained by joint venture	(75)	—	(75)
Exchange loss taken to reserves	(6)	—	(6)
Amortisation	—	42	42
At September 30, 2000	207	(246)	(39)

During the year the Group entered into two joint venture agreements with Travel.com.au Limited in Australia and Tourvest Holdings (Proprietary) Limited in South Africa to set up operations in those countries. The joint venture companies are, respectively, lastminute.com Australia (Pty) Limited and lastminute.com South Africa (Pty) Limited. lastminute.com Australia (Pty) Limited was incorporated in March 2000 and commenced trading at that time; lastminute.com South Africa (Pty) Limited was not incorporated until October 2000, local regulatory approval not having been granted until then.

Although the Group only holds 25.1% of the share capital of the Australian joint venture entity, its investment in the company is treated as a joint venture because Board control is split between the investing entities and both parties have power of veto over any major decision. As purchase consideration for its share of the ordinary share capital of lastminute.com Australia (Pty) Limited, the Group entered into two contractual agreements with the company. The first committed to providing technical know-how and support in the set-up and continued service of the entity's website. The second allows for use of the Group's licensed trademark in the geographical areas in which the joint venture company operates.

As the value of the agreements with lastminute.com Australia (Pty) Limited cannot be measured reliably, nil cost has been recognised in respect of the joint venture. In the Group accounts, the Group's share of the net assets of the joint venture on formation (principally cash contributed by the other venturer) has given rise to an equivalent amount of negative goodwill. This negative goodwill will be recognised in the profit and loss account in the years expected to benefit, being four years, the period over which the majority of the know-how and support will be provided to the joint venture.

Acquisitions

On September 30, 2000 the Group acquired the Degriftour group (comprising Revalfi S.A.R.L. and its subsidiary undertakings, Voyages Sur Mesure S.A. and Activnet S.A.R.L.) for a consideration of £54,522,000, satisfied by 35,000,000 Euros paid on October 23, 2000, 10,000,000 Euros payable on October 23, 2001 by Last Minute Network S.A.R.L. and the issue of 19,700,000 new ordinary shares at £1.39 each by lastminute.com plc. At the balance sheet date the consideration payable on October 23, 2000 is classified within 'creditors: amounts falling due within one year'; the deferred consideration payable is classified within 'creditors: amounts falling due after more than one year'.

Goodwill arising on the acquisition of the Degriftour group has been capitalised and is being amortised over four years. The investment in the Degriftour group, is held by lastminute.com plc and Last Minute Network S.A.R.L., and has been included in the Group balance sheet using the acquisition method of accounting at its fair value at September 30, 2000.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

15. INVESTMENTS — (Continued)

Analysis of the acquisition of the Degriftour group:

	Book and Fair Value of assets acquired
	(£000)
Tangible fixed assets	2,354
Debtors	4,203
Creditors	(7,883)
Cash	747
Provisions	(506)
Taxation	(129)
Net liabilities acquired	(1,214)
Goodwill (Note 13)	58,636
Cost of net business	57,422

The table below shows the revenues and losses for the years ended September 30, 1999 and 2000 as if the Degriftour group had been part of the Group for both years.

	Year ended September 30,	
	1999	2000
	(£000)	
Total Transaction Value	*53,397*	*91,278*
Turnover	10,036	12,736
Loss for the financial year	(4,140)	(38,559)
Loss per share — basic and diluted	12.44p	39.21p

16. STOCKS

	At September 30,	
	1999	2000
	(£000)	
Entertainment tickets held for resale	1	52

The difference between the balance sheet amount of stocks and their replacement cost is not material.

17. DEBTORS

	At September 30,	
	1999	2000
	(£000)	
Trade debtors	136	2,827
Other debtors	443	5,980
Prepayments and accrued income	164	1,736
	743	10,543

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

18. CREDITORS: amounts falling due within one year

	At September 30, 1999	At September 30, 2000
	(£000)	(£000)
Bank overdrafts	70	—
Trade creditors	852	10,250
Corporation tax	1	—
Other taxes and social security costs	84	1,788
Other creditors	1,111	331
Consideration payable in relation to acquisition of subsidiary undertaking	—	21,350
Accruals and deferred income	121	4,582
Preference dividend payable	50	—
	2,289	38,301

19. CREDITORS: amounts falling due after more than one year

	At September 30, 1999	At September 30, 2000
	(£000)	(£000)
Deferred consideration for the purchase of subsidiary undertaking	—	6,031

20. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings At September 30, 1999	Land and buildings At September 30, 2000
	(£000)	(£000)
Operating leases which expire:		
In two to five years	315	2,771

21. PROVISIONS FOR LIABILITIES AND CHARGES

	Company National Insurance	Onerous contract	Other	Total
	(£000)			
At September 30, 1999	600	—	14	614
Provided during the year	88	—	202	290
Acquisition of subsidiary undertaking	—	452	54	506
At September 30, 2000	688	452	270	1,410

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

22. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise trade debtors and other debtors, trade creditors and other creditors, accruals, cash, overdrafts, deferred consideration in relation to the purchase of the Degriftour group, non-equity shares and forward currency exchange contracts.

As permitted by FRS 13, Derivatives and Other Financial Instruments, amounts dealt with in the numerical disclosures in this note, with the exception of the currency analysis, exclude short-term debtors and creditors.

Interest rate risk

The Group has significant cash balances at September 30, 2000.

The majority of this is held on short-term deposits with AAA/AA rated credit institutions. This earns interest at a floating rate that follows LIBOR.

Non-equity share capital was converted into equity share capital during the year ended September 30, 2000. All outstanding liabilities associated with the shares were waived by the shareholders upon conversion.

No interest is payable in relation to the financial liability which has arisen as a result of deferring payment for the acquisition of the Degriftour group of companies.

Liquidity risk

The Group's policy has previously been to finance its operations and expansion through the sale of equity and non-equity share capital. On March 21, 2000, the Company completed an initial public offering of Ordinary Shares. Consequently the Group's policy is to hold cash in appropriately short-term funds to enable it to finance its operations and expansion.

The purchase of the Degriftour group of companies was financed using partly deferred consideration. This acquisition structure does not significantly affect the Group's liquidity profile.

Currency risk

Currency risk: structural

As a result of the significant investment in its French subsidiaries, the Group's balance sheet will be significantly affected by movements in the euro/sterling exchange rate. The Group will not seek to hedge against this structural currency risk due to the stable nature of the relationship between the two currencies. Other operations denominated in foreign currencies giving rise to structural currency exposure are not significant to the Group at this time, as such the Group does not hedge against these currency risks.

Currency risk: transactional

The Group faces transactional exposure in respect of costs and revenues denominated in currencies other than the transacting company's functional currency (see table below).

During the year the Group did not seek to hedge this exposure. However, following the purchase of the Degriftour group certain exposures may be hedged in accordance with Degriftour's policy.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

22. FINANCIAL INSTRUMENTS — (Continued)

Interest rate profile of financial assets and liabilities (all are based on floating rates linked to LIBOR):

	Total cash (£000)
At September 30, 1999	
Sterling	3,084
U.S. Dollars	1,105
Euro	122
Swedish Krona	8
	4,319
At September 30, 2000	
Sterling	72,439
U.S. Dollars	2,676
Euro	28,493
Swedish Krona	80
	103,688

Interest rate risk profile of non-equity shares

At September 30, 1999 the Group had a sterling bank overdraft of £70,000, which incurred interest at floating rates based on LIBOR.

At September 30, 1999 the Group had in issue convertible cumulative redeemable Preference A Shares denominated in sterling, with paid up consideration of £500,000. A fixed coupon rate of 8% was payable on the paid up consideration.

The Group also had in issue convertible cumulative redeemable Preference B Shares denominated in sterling, with paid up consideration of £5,962,000 and no coupon.

Preference A Shares and Preference B Shares automatically converted into Ordinary Shares immediately prior to the completion of the initial public offering. Should the offering not have occurred before June 4, 2004, each Preference A and Preference B shareholder had the option to redeem the Preference Shares.

At September 30, 2000, the Group had a financial liability of £6,031,000 in respect of the deferred consideration payable for the acquisition of the Degriftour group. No interest is payable on this liability. The amount will be settled on October 23, 2001.

Currency risks

The table below shows the Group's currency exposure; in other words those transactional exposures that give rise to net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of operations.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

22. FINANCIAL INSTRUMENTS — (Continued)

	Euro	US Dollar	Swedish krona	Total
		(£000)		
Functional currency of Company operations				
As at September 30, 1999				
Sterling	130	1,105	—	1,235
As at September 30, 2000				
Sterling	27,119	2,676	2	29,797

Fair values of financial assets and financial liabilities

	Book value September 30, 1999	Fair value September 30, 1999	Book value September 30, 2000	Fair value September 30, 2000
		(£000)		
Cash	4,319	4,319	103,688	103,688
Overdrafts	(70)	(70)	—	—
Preference A Shares	500	20,941	—	—
Preference B Shares	5,962	34,153	—	—
Deferred consideration	—	—	27,381	27,381

The fair values of the Preference A Shares and Preference B Shares of Last Minute Network Limited at September 30, 1999 are determined by reference to the arm's length prices paid by investors during the four private financing rounds since incorporation of the company, adjusted to take into account subscriber growth.

Hedges

The Degriftour group's policy is to hedge against transactional currency exposure on significant transactions. Gains and losses on instruments used for hedging are not recognised until the exposure, which is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging, and the movement therein are as follows.

	Gains
	(£000)
Unrecognised gains and losses on hedges at September 30, 2000	2
Of which:	
Gains and losses expected to be recognised in the year to September 30, 2001	2

23. SHARE CAPITAL

Rights to dividends

The Preference A Shares carried a fixed cumulative dividend of 8% per annum. Preference B Shares did not carry rights to dividends. Upon the initial public offering, accrued and unpaid dividends on Preference A Shares were forfeited.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

23. SHARE CAPITAL — (Continued)

Conversion

At the date of the initial public offering, each Preference A Share and Preference B Share was converted into 285 Ordinary Shares.

Warrants

On January 31, 2000 and February 14, 2000 the Company executed performance-based warrant instruments pursuant to which the Group may grant warrants to acquire up to 5,544,675 and 5,543,250 of Ordinary Shares to each of Lufthansa and Virgin Atlantic Airways, respectively, in equal instalments at the end of five six-month measuring periods commencing on January 1, 2000 and March 1, 2000, respectively, if they achieve specified levels of ticket sales through the Group's website. Each warrant will be exercisable for an Ordinary Share during a 60-day period commencing three years after the date it is issued at an exercise price of £0.37 per share, subject to customary adjustments in the event of specified events. The Group may terminate the warrant instrument and cancel the related warrants in exchange for cash payments if the relevant airline fails to achieve specified minimum levels of sales in the first two measuring periods. The Group may also cancel a portion of the warrants granted in respect of a measuring period if the airline fails to achieve a specified minimum level of sales in the following measuring periods.

As at September 30, 2000 neither airline was in line to meet the sales performance targets set and as a result the Company has not issued any warrants under these agreements.

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash outflow from operating activities

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
		(£000)	
Operating loss	(292)	(4,567)	(39,451)
Depreciation	—	33	1,317
Increase in debtors	(49)	(694)	(5,732)
Increase in stocks	—	(1)	(51)
Increase in creditors	129	2,039	4,686
Increase in provisions	—	614	290
Foreign exchange losses	—	—	(293)
Share-based compensation	—	672	4,582
Net cash outflow from operating activities	(212)	(1,904)	(34,652)

(b) In January 1999, the Company received from three of its investors a convertible unsecured bridge loan of £350,000. In May 1999, this loan was converted into Preference B Shares at a 25% discount to the fair value of the shares at that date.

(c) Analysis of net cash position

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS — (Continued)

	At April 1, 1998 (inception)	Cash flow	At September 30, 1998	Cash flow	At September 30, 1999	Cash flow	At September 30, 2000
				(£000)			
Cash at bank	—	368	368	3,951	4,319	99,369	103,688
Bank overdrafts	—	—	—	(70)	(70)	70	—
	—	368	368	3,881	4,249	99,439	103,688

(d) Liquid resources comprise money held by the Group's bank on short-term deposits. £1.9 million of this is held as a financial guarantee for the Group to comply with the Civil Aviation Authority's terms and conditions on Air Travel Organiser's License.

25. RELATED PARTY TRANSACTIONS

There have been no related party transactions entered into during the year.

26. COMPANIES ACT 1985

These financial statements are not the Company's statutory accounts within the meaning of section 240 of the Companies Act 1985 of Great Britain. Audited statutory financial statements have been prepared and delivered to the Registrar of Companies for the periods ended September 30, 1998 and 1999. Audited statutory financial statements have been prepared for the period ended September 30, 2000, but not yet delivered to the Registrar of Companies. Unqualified audit opinions were given for each of these financial statements.

27. POST BALANCE SHEET EVENTS

On October 23, 2000, the Group formally completed the acquisition of the Degriftour group for a total consideration of £54,522,000. Cash consideration comprised £27,139,000, of which £21,108,000 was paid on that date. £6,031,000 of the consideration is payable on October 23, 2001. The issue of 19,700,000 Ordinary Shares with a market value of £1.39 satisfied the remainder of the consideration.

28. COMMITMENTS AND CONTINGENCIES

The Company has made a guarantee on behalf of the Civil Aviation Authority in relation to meeting its obligations in respect of its Air Travel Organiser's License, as detailed in note 24(d).

29. DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with accounting principles generally accepted in the United Kingdom ("U.K. GAAP"), which differ in certain respects from those generally accepted in the United States ("U.S. GAAP"). The significant differences as they apply to the Company are summarised below.

Share options

Share-based compensation

Under U.K. GAAP, share-based compensation represents the difference between the exercise price of share options granted and the fair market value of the underlying Ordinary Shares at the date of grant. As all of the

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

29. DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES — (Continued)

options granted to date vest over a three-year period, the difference is being taken to the profit and loss account as an operating expense over the period in which the options vest.

Under U.S. GAAP, the Company has elected to follow the intrinsic value method in Accounting Principles Board Opinion No. 25 (''APB 25'') in determining share-based compensation expense. Under this methodology, the difference between the option exercise prices and the fair value of the underlying Ordinary Shares at the date of grant of options to employees would be expensed over the vesting period. The options granted to two non-executive directors would be accounted for using the fair value method in Statement of Financial Accounting Standards 123, Accounting for Stock-Based Compensation. The difference between the compensation expense arising under the fair value method with respect to these options and that arising under the intrinsic value method is significant.

At September 30, 1998 and 1999, the unearned compensation expense was £nil and £1,691,000, respectively. For grants up to September 30, 1999, the Company amortised £1,165,000 in the year ended September 30, 2000, and expects to amortise £438,000 in the year ending September 30, 2001 and £88,000 in the year ending September 30, 2002.

Company National Insurance contributions

The Group, under U.K. GAAP, provides for its National Insurance contributions on options granted on or after 6 April 1999 under its unapproved share option schemes. In previous periods provision was made at a rate of 12.2% on the difference between the period end share value and the grant price, being the Group's best estimate of the ultimate liability at each period end.

Following the issue of UITF published Abstract 25, ''National Insurance on share option gains'', the Group changed its accounting policy with respect to National Insurance on share options and now provides for the expected liability over the period of performance.

For periods ended September 30, 1998 and 1999, under U.S. GAAP, a provision was made for the estimated liability over the vesting period of the options. With the issue of EITF 00-16 in July 2000, U.S. GAAP now requires that payroll taxes incurred in connection with stock-based compensation be recognised on the date of the event that triggers the payment, i.e. the date of the exercise. No provision need therefore be made for the expected liability before the exercise date. Hence the Group, in following EITF 00-16, has made a cumulative adjustment to the National Insurance charge in the profit and loss account and shareholders' funds presented below.

Convertible unsecured loan

Under U.K. GAAP, on conversion of the bridge loan in May 1999 into Preference B Shares at a 25% discount to the fair value of the shares at that date, no charge to profit and loss account was made for the discount.

Under U.S. GAAP, the discount would have been expensed over the period to the earliest conversion date. Accordingly, in the reconciliations below the discount has been expensed in the year ended September 30, 1999.

Deferred taxation

Under U.K. GAAP, the Company provides for deferred taxation using the liability method on all material timing differences to the extent that it is probable that the liabilities will crystallise in the foreseeable future.

Under U.S. GAAP, deferred taxation is generally provided on a full liability basis on all temporary differences between the book and tax basis of assets and liabilities. As the Company has incurred operating losses

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

29. DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES — (Continued)

since its inception no deferred tax asset would be recognised under U.S. GAAP because it is more likely than not that it will not be realised.

Redeemable convertible preference shares

Under U.K. GAAP, amounts relating to the Preference A Shares and the Preference B Shares are reflected as non-equity shareholders' funds within shareholders' funds.

Under U.S. GAAP, these amounts would not be included within shareholders' funds but would be reflected within liabilities as redeemable preferred stock.

Goodwill

On October 23, 2000, lastminute.com plc formally completed the acquisition of the entire issued share capital of the Degriftour group. Goodwill arising on the transaction amounted to £58.6 million under U.K. GAAP and is being amortised on a straight-line basis over four years. Effective control of Degriftour passed from the vendors to lastminute.com on September 30, 2000 and accordingly the consolidated balance sheet of lastminute.com plc as at September 30, 2000 incorporates the assets and liabilities of the Degriftour group of companies. lastminute.com plc paid, as part consideration for that acquisition, £21,108,000. On the same day, 19,700,000 £0.01 ordinary shares were issued at a market value of £1.39 also in consideration for the acquisition. The shares were valued at the date of transfer of effective control.

Under U.S. GAAP, the share value is measured at the average of the quoted price for a reasonable period before and after the terms of the acquisition are agreed and announced. Hence the shares, under U.S. GAAP accounting, were issued at a market value of £1.615. The effect of using different share prices is to increase the consideration paid for the Degriftour group by £4,433,000. This has been reflected in the valuation of intangible assets acquired shown below.

Under U.K. GAAP, goodwill is defined as the difference between the cost of an acquired entity and the aggregate of the fair values of that entity's identifiable assets and liabilities.

Under U.S. GAAP recognition is allowed on a wider range of intangible assets.

Values were attributable to Intangible assets under U.S. GAAP as follows:

	At September 30, 2000
	(£000)
Fixed assets	
Intangible assets	
Workforce in-place	614
Internally developed technological systems	282
Trademarks/trade names	2,092
Supplier relations	3,789
Goodwill	56,292
Intangible Assets	63,069

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

29. DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES — (Continued)

Joint Ventures

Under U.K. GAAP Joint Ventures are accounted for using the gross equity method in consolidated financial statements. The Group's share of the joint venture's net sales, operating profit, exceptional items, interest and taxation are reflected in the appropriate line items in the Group's income statement.

Under U.S. GAAP Joint Ventures are accounted for using the equity method in consolidated financial statements. The Group's share of the joint venture's net income would be reported as a one line item after income tax.

The effect of the above differences on the loss for the period and shareholders' funds is shown in the following reconciliations.

Profit and loss account

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
	(£000, except shares and per share amounts)		
Loss for the period as reported in the consolidated profit and loss account under U.K. GAAP	(286)	(4,500)	(35,748)
Discount on convertible loan	—	(167)	—
Provision for Company National Insurance contributions	—	163	525
Net income adjustment	—	(4)	525
Loss for the period as adjusted to accord with U.S. GAAP	(286)	(4,504)	(35,223)
Loss per Ordinary Share as so adjusted — basic and diluted	(0.94)p	(13.53)p	(35.81)p
Loss per American Depositary Share — basic and diluted(1)	(4.70)p	(67.65)p	(179.05)p

(1) Each American Depositary Share represents five Ordinary Shares

Comprehensive income

Comprehensive income under U.S. GAAP, is summarised as follows:

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
	(£000)		
Loss in accordance with U.S. GAAP	(286)	(4,504)	(35,223)
Currency translation differences	—	—	22
Comprehensive Income adjusted to accord with U.S. GAAP	(286)	(4,504)	(35,201)

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

29. DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES — (Continued)

Movements in other comprehensive income amounts are as follows:

	Currency translation differences
	(£000)
At April 1, 1998	—
Arising in the period	—
At September 30, 1998	—
Arising in the period	—
At September 30, 1999	—
Arising in the period	22
At September 30, 2000	22

Shareholders' funds

	At September 30,	
	1999	2000
	(£000)	
Shareholders' funds as reported in the consolidated balance sheet under U.K. GAAP	2,563	141,110
Discount on convertible loan	(167)	—
Provisions for liabilities and charges — Company National Insurance contributions	163	525
Goodwill calculated under U.S. GAAP	—	4,433
Non-equity shareholders' funds	(6,462)	—
Shareholders' funds (deficit) as adjusted to accord with U.S. GAAP	(3,903)	146,068

Consolidated statements of cash flows

The consolidated statements of cash flows presented under U.K. GAAP present substantially the same information as those required under U.S. GAAP but differ with regard to the classification of items within the statements and as regards the definition of cash under U.K. GAAP and cash and cash equivalents under U.S. GAAP.

Under U.S. GAAP, cash and cash equivalents include short-term highly liquid investments but do not include bank overdrafts. Under U.K. GAAP, if applicable, cash flows are presented separately for operating activities, dividends from associates, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions, equity dividends and management of liquid resources and financing. U.S. GAAP, however, require only three categories of cash flow to be reported; operating, investing and financing. Under U.S. GAAP, cash paid or received for interest and income taxes would be included in operating activities and capital expenditure would be included within investing activities.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

29. DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES — (Continued)

Under U.S. GAAP, the following would be reported:

	April 1, 1998 (inception) to September 30, 1998	Year ended September 30, 1999	Year ended September 30, 2000
		(£000)	
Net cash used in operating activities	(205)	(1,697)	(30,239)
Net cash used in investing activities	(28)	(408)	(12,289)
Net cash provided by financing activities	601	6,056	141,897
Increase in cash and cash equivalents	368	3,951	99,369
Cash and cash equivalents at beginning of period	—	368	4,319
Cash and cash equivalents at end of period	368	4,319	103,688

Additional disclosures required by U.S. GAAP in respect of deferred taxation

Deferred tax comprises the following:

	At September 30, 1998	1999	2000
		(£000)	
Net operating losses carried forward	—	1,329	10,650
Less: Valuation allowance	—	(1,329)	(10,650)
Net deferred tax asset	—	—	—

Additional information required under U.S. GAAP in respect of share-based compensation

Under U.S. GAAP, where the intrinsic value method in APB 25 is used for the measurement of stock based compensation, disclosure of the pro forma effect on net loss and net loss per share is required on the basis of the fair value method set forth in Statement of Financial Accounting Standards 123 (''SFAS 123''). Under SFAS 123, using the fair values given in note 6, net loss for the year ended September 30, 2000 would have been £38,000 (1999: £4,545,000) and basic and diluted net loss per share would have been 38.27p (1999: 13.53p).

The total difference between the fair value of options calculated using the intrinsic value method and the Black-Scholes option-pricing model at September 30, 2000 and 1999 was £3,407,000 and £65,000 respectively.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with high credit, quality financial institutions.

The Company's debtors comprise commissions receivable and amounts due from credit card processors. The Company generally requires no collateral from its suppliers.

At September 30, 2000, the Company did not consider there to be any significant concentration of credit risk.

LASTMINUTE.COM PLC

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

29. DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES — (Continued)

Impact of recently issued accounting standards

FRS 17, Retirement Benefits, issued in November 2000, is fully effective for accounting periods ending on or after June 22, 2003. Certain of the disclosure requirements are effective for periods prior to the June 2003 deadline. The Standard requires that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and related funding. The operating costs of providing retirement benefits are recognised in the period in which they are earned together with any related finance costs and changes in the value of the related assets and liabilities. The impact of FRS 17 on the Group's financial position and results has not yet been determined and is currently under review.

FRS 18, Accounting Policies, issued in December 2000, is effective for accounting periods ending on or after June 22, 2001. The Standard sets out the principles to be followed in selecting accounting policies and the disclosures required. The Standard is not expected to have a significant impact when it is applied.

FRS 19, Deferred Tax, issued in December 2000, is effective for accounting periods ending on or after January 23, 2002. The Standard requires full provision to be made for deferred tax assets and liabilities arising from most types of timing differences. The Standard allows, but does not require, a policy of discounting deferred tax assets and liabilities. The impact of FRS 19 on the Group's financial position and results has not yet been determined and is currently under review.

SFAS 133, Accounting for Derivative Instruments and Hedging Activities, issued in June 1998, establishes a new model for accounting for derivatives and hedging activities and supersedes and amends a number of existing standards. SFAS 133 is effective for financial statements for years beginning after June 15, 2000. Upon initial application, all derivatives are required to be recognised in the statement of financial position as either assets or liabilities and measured at fair value. In addition, all hedging relationships must be reassessed and documented pursuant to the provisions of SFAS 133. The Group has limited hedging relationships, which at September 30, 2000 were immaterial and thus does not anticipate that this pronouncement will have a significant effect on its results of operations, financial position or cash flows.

SAB 101, Revenue Recognition, issued in December 1999, is effective for accounting periods beginning after December 15, 1999. The bulletin is not expected to have a significant impact on the Group's financial position and results under U.S. GAAP.