

annual report 2001

lastminute.com

lastminute.com provides inspiration and solutions for all occasions

Operating in:

UK **Italy**
France **Sweden**
Germany **Netherlands**

Joint ventures in:

Australia
South Africa
Spain

1	Business highlights	26	Consolidated profit and loss account
2	Chairman's statement	26	Consolidated statement of total recognised gains and losses
4	Operational review	27	Balance sheets
14	Financial review	28	Consolidated statement of cash flows
16	Board of Directors	28	Reconciliation of cash flow to movement in net funds
18	Directors' report	29	Notes to the financial statements
19	Statement of Directors' responsibilities	44	Notice of Meeting
20	Corporate governance	46	Annual General Meeting – Memorandum to Shareholders
22	Remuneration report	48	Definitions
25	Report of the auditors	49	Shareholder information

Business highlights

Total transaction value grows by **3.6** times year on year to **£124.2** million (2000: £34.2 million)

Gross profit up **5.2** times year on year to **£17.2** million

Gross margin increases by **4.1** percentage points year on year to **13.9%**

Operating cash outflow reduced to **£6.8** million for Quarter 4 2001, a reduction of **59.4%** over Quarter 4 2000

Customer conversion rate up from 5.5% to **13.9%** year on year

On track to deliver breakeven at an operational level in the UK and France in approximately **six** months time

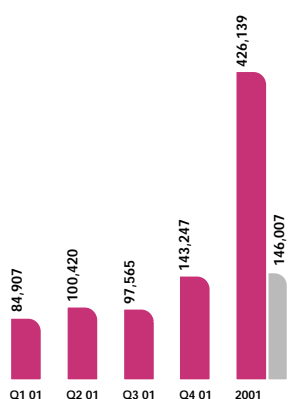
	Year ended 30 September 2001	Year ended 30 September 2000	Growth
Registered subscribers at year end	4,208,484	2,850,678	1.5x
Customers since inception	536,446	156,196	3.4x
Cumulative items sold in the year	806,155	312,912	2.6x
Number of suppliers at year end	9,286	9,221	-
Total transaction value (£'000)	124,210	34,189	3.6x
Gross profit (£'000)	17,204	3,339	5.2x
Gross margin	13.9%	9.8%	+4.1%
Loss (before goodwill amortisation and taxation) for the period	(39,086)	(35,790)	-9.2%

Chairman's statement

Over the past year the business has made good progress in all the operating metrics, against a changing economic environment. Cash-burn and costs have been driven down while we still maintain the technology investments essential for continuing success in the sector. Progress this year has accelerated performance towards delivering our original vision to become a utility for our customers providing inspiration and solutions at the last minute.

Customers purchasing from lastminute.com sites – quarterly progression

■ Comparative 2000 figures



Business performance

Departure based total transaction value (TTV) has grown from £34.2 million last year to £124.2 million for the year to 30 September 2001, an increase of 3.6 times. The final quarter, the most important for the key travel sector, saw a record performance for TTV of £46.9 million (Q4 2000: £13.2 million), an increase of 60.0% over the third quarter of this year and 3.6 times the equivalent period last year. Statutory turnover and gross profit have also shown strong growth trends as we have succeeded in improving our margin performance.

Underlying fixed costs have reduced on a quarterly basis throughout the year. Cash-burn has slowed dramatically as we have streamlined our operational costs across the Group, reduced our marketing spend and significantly reduced our customer acquisition costs, especially in the UK.

Overall, the Group has had a good final quarter and year as a whole and builds on the strong foundations established since our launch.

Brand development

Three years from inception the lastminute.com brand continues to exhibit substantial growth. The number of subscribers receiving our weekly newsletter has increased by 1.4 million over the year to total 4.2 million at 30 September 2001. The new technology platform has increased our connectivity and supplier base ensuring that customers find a more reliable service when they come to the sites in all markets. Customers are now able to personalise their own lastminute.com homepages to allow us to offer them the products and services that they require. This further

enhances lastminute.com's stated aim to offer the right product at the right time on the right device.

During the year work continued on the development of the brand across a number of markets. lastminute.com has received extremely positive ratings in its European markets from independent research companies over the year. In June 2001, Jupiter MMXI reported that the Group was the only company to appear in the top ten most visited travel sites in the UK, France, Germany, Sweden, Italy and Spain. In September 2001 the same agency rated lastminute.com the number one pan-European travel property in Europe. lastminute.com has held the position as the UK's number one travel site since research started in October 1999, with the highest reach of visitors in September 2001. In the same month another research agency, NetValue, ranked lastminute.com as the most popular travel site in the UK.

Integration of Degriktour

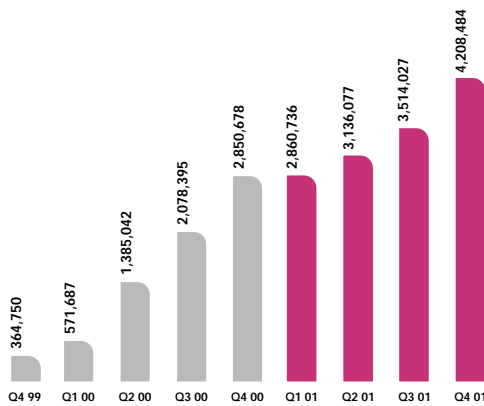
The acquisition of Degriktour was announced at the end of the previous financial year. During the intervening period lastminute.com France and Degriktour have successfully merged into a single operating unit based in Cergy, just outside Paris. Following the integration of the two businesses, a new Managing Director, Denis Phillipon, formerly Managing Director of lastminute.com France, has been appointed.

The expectations from the original joint business plan have been delivered. We now anticipate additional cost and revenue synergies will continue to be achieved as we move forward into the new financial year.

The number of subscribers who elect to receive our weekly newsletter has increased by 1.4 million over the year to total over 4.2 million. Customer conversion rate has grown from 5.5% to 13.9% year on year reflecting the strength of the business model and the opportunity for continuing growth.

Registered subscribers – quarterly progression

■ Comparative figures



Board

I would like to take this opportunity to thank Pieter Bouw and Tom Teichman, who departed from the Board earlier in the year, for their contributions to the development of the Company.

Pierre Alzon, one of the original founders of Degriptour, has also stepped down from the Board after completing the successful integration of the French businesses. I would like to thank Pierre for his enthusiasm and commitment.

David Howell joined the Board as an Executive Director and Chief Financial Officer in July 2001. David joins from First Choice Holidays plc where he was Group Finance Director from 1997 to 2001. He is a welcome addition to our Board and brings significant business experience with him.

Outlook

The travel industry has clearly suffered following the tragic events of September 11. However lastminute.com, because of the breadth of its product range, has continued to grow, in line with the Board's expectations for the new financial year.

Overall, we are confident of another year of sustained and improving performance building towards profitability and positive cashflow. We remain on track to deliver operational profit in our UK and French businesses in approximately two quarters' time.

Finally we would like to thank all the lastminute.com staff for the tremendous dedication and enthusiasm they show towards our business. Without their focus we would not achieve the growth that is so essential to the achievement of our long-term goals.

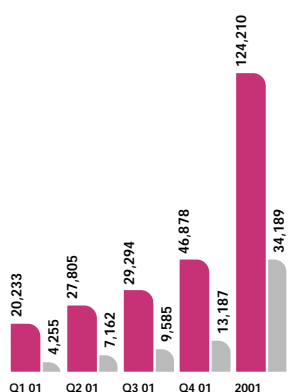
Allan Leighton
Chairman
23 November 2001

Operational review

In the second full year of trading the Group has moved that much closer to our vision of creating a utility that customers use on a daily basis for last minute inspiration and solutions. In particular we have focused on traditional retail metrics – converting more of our subscriber base to customers. This growth has been achieved by further deepening the relationships with our customers and suppliers, adding new functionality to the site and consolidating our position in the core markets.

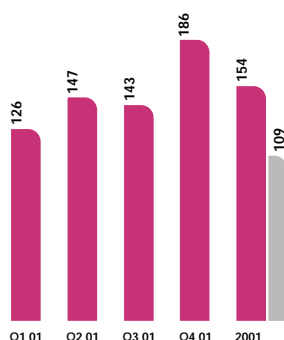
Departure based total transaction value (TTV) (£'000)

■ Comparative 2000 figures



TTV per item sold (£)

■ Comparative 2000 figures



Business performance

The year to 30 September 2001 saw a substantial increase in the overall level of transactions conducted across the businesses. Total transaction value (TTV) grew to £124.2 million for the year (2000: £34.2 million), an increase of 3.6 times. TTV has continued to grow significantly in all of the lastminute.com sites with record levels of activity achieved in the final Quarter of the year in all countries.

The fourth Quarter of the financial year is the most important time for the travel element of the business with a large number of pre-packaged holiday bookings as well as increased flight and hotel transactions. Quarter 4 TTV totalled £46.9 million (Q4 2000: £13.2 million, Q3 2001: £29.3 million), an increase of 3.6 times over last year and 60.0% up on the third Quarter of 2001.

The overall number of subscribers to the weekly newsletter has increased by 1.4 million to 4.2 million (2000: 2.8 million) at the end of the year. The total number of unique customers purchasing increased by 380,250 during the year to 536,446. Those 380,250 customers purchased 806,155 items during the year. Overall conversion of email subscribers to customers improved from 5.5% to 13.9%, demonstrating significant growth over the year.

Across the Group's sites the average transaction value in Quarter 4 increased by £64.5 to £186.4 per item sold (2000 Q4: £121.9) and the gross profit improved by £13.3 per item to £25.6 (2000 Q4: £12.3), an increase of 108.1%. Each completed shopping basket now contains approximately 1.7 items. Gross profit margins in Quarter 4 have also improved by 3.6 percentage points to 13.7%

from the level achieved in the same period last year (2000 Q4: 10.1%).

Underlying total operating expenses reduced each quarter during the year under review. In February 2001 we instituted a complete review of how to service customer queries and fulfilment more efficiently and at a lower cost. This resulted in a significant improvement in our customer service and fulfilment costs.

In our most mature market, the UK, we have reduced customer service costs from approximately 17% of TTV in January 2001 to an average 3% of TTV in the final Quarter of the year. This has been achieved by communicating better product and service information to customers in a variety of ways. The number of customer contacts per item sold has fallen from 3.5 per item sold in Quarter 1 to one contact per item in Quarter 4.

Operating cash outflow also showed major improvement every quarter with a 59.4% reduction to £6.8 million in Quarter 4 compared with the peak operating cash outflow in Quarter 4 last year (2000 Q4: £16.9 million). At the end of the year the cash balance was £46.6 million.

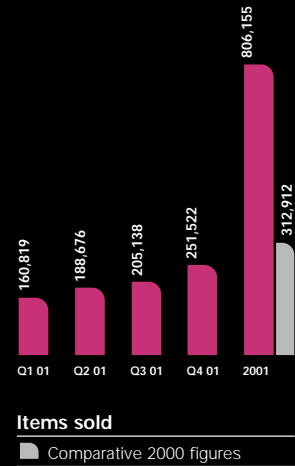
Geographic analysis

lastminute.com UK, our first and home market, has achieved substantial growth in TTV during the year, selling £48.7 million (2000: £33.6 million) of goods and products, an increase of 44.9% compared with last year. Customer acquisition costs have fallen to £16.7 per customer in Quarter 4 compared to £33.0 in the same period of the previous year, a reduction of 49.4% year on year. The UK

lastminute.com has increased the number of items sold by 2.6 times across all categories during the year

We sold our complete allocation of 550 U2 tickets in seven minutes.

We sold over 2,500 tickets for Pavarotti in the Park. In Q4 2001 we sold 5,000 tickets for Blues Brothers at the Whitehall Theatre.



Operational review continued

During the year work has continued on the development of the lastminute.com brand across all markets. The integration of lastminute.com France and Degriftour (acquired in September 2000) has progressed to plan. When combined the two sites are ranked top travel website in France, after sncf.fr the French national railway, according to research published in September 2001 and the breadth of lastminute.com's reach is demonstrated by similar rankings in its core markets.

lastminute.com France/Degriftour homepage



site shows the greatest progression towards delivery of the original vision. Its sustained growth shows that the business model is performing well.

The integration of lastminute.com France and Degriftour progressed to plan. Since the acquisition was completed on 30 September 2000 we have undertaken various strategic measures and restructuring initiatives to ensure the continued success of both businesses in France. The brands are advertised together in the French market, suppliers have been approached jointly and we have begun to integrate the two websites. Combined, the two websites are still the number one travel site in France, after the state railway, according to figures released by independent research agency Jupiter MMXI.

The Group has continued to expand its presence outside the UK through a mix of strategic investments and joint ventures. Whilst we continue to focus activity and resources on the core countries of UK, France and Germany, good results have also been achieved in Italy, Netherlands and Sweden using very limited resources. We continue to operate locally in those markets where it is more appropriate to provide a domestic rather than global solution to customers' technological needs. France provides some of the technology solutions for our European businesses outside the UK from a French based technical team. In all our markets we have developed strong management teams to ensure the development of the lastminute.com brand and vision internationally.

In September 2001 we announced the creation of a Spanish joint venture with Sol Meliá, the tenth largest hotelier in the world. As part of this relationship we now

have access across the Group to special rates for the Sol Meliá hotel content. This increases the lastminute.com portfolio of joint ventures to three including Australia and South Africa.

Technology improvements

Improved technology has continued to make a major impact on the speed and user friendliness of the site during the year. The new technology platform went live in October 2000 and has delivered on its promises – the site is quicker, more stable and demonstrably supports scalability. Additionally we have introduced a number of new features to make the site more convenient for customers and therefore increase conversion. These benefits include search, personalisation and a new look and feel in all markets.

Performance

The sites in all markets are now nine times faster than the versions used when lastminute.com became a public company in March 2000 and have completely redesigned home pages with more efficient search capabilities. Customers now use an improved booking process that has been reduced from seven steps to four. We will continue to reduce the steps required to complete a purchase.

Search

During the year search facilities on the site were greatly enhanced, enabling customers to more easily find the right product for them. The key word search box at the top of the homepage allows site visitors to find specific products quickly and the introduction of a geospatial search means customers can trawl all categories to find products which are nearest to a selected location, landmark

lastminute.com is the most visited pan-European travel property

Country	Rank	% Reach
UK	1	4.6
France (combined)	2	
lastminute.com France	3	2.4
Degriffour	4	2.1
Germany	3	2.6
Italy	2	2.7
Spain	4	2.0
Europe*	2	2.8

* The specialist German only rail site Bahn.de is the most visited in the European travel category with 2.9% reach.
Source: Independent Research Agency, Jupiter MMXI Data at 30 September 2001.



Operational review continued

Customer experience has been a major focus over the last 12 months. The introduction of better search facilities, geospatial capabilities, personalisation and an improved user interface has supported the growth of our subscriber base by 47.6% to over 4.2 million registered users. Our continuing relationships with partners such as Microsoft, AOL Europe and Orange keeps lastminute.com at the forefront of new platform delivery.

XP Messenger Tab



"deals around you"



or postcode. An extension of this facility is the ability to view a map of a chosen area and browse which special last minute deals are available in that location – "deals around you".

User interface

Customer feedback is vital to the continuing success of the Group. We are constantly evolving the site to make it simple for customers to buy with greater speed and efficiency. As a result of comments solicited from our users we have redesigned the lastminute.com user interface. It now shows substantial improvements to enhance the customer experience including greater product visibility, more targeted offers and promotes cross selling on the website.

Personalisation

Registered customers have the ability to customise their personal homepage ("mylastminute.com") using technology that stores personal preferences and prompts the display of products and services that are relevant to an individual's needs and lifestyle. In October 2001 the alliance announced with Microsoft for .NET Windows XP enables lastminute.com to target customers with specific alerts. lastminute.com is the first of Microsoft's European partners to put this technology into practice.

The e.piphany platform was used for the first time during the year, enabling us to run targeted email campaigns. We have seen that these tailored messages have given us click through rates of up to 30% higher than those achieved on non-targeted messages. This marks an important step in a three-part process we are utilising to better understand our customer's behaviour by analysing

their visiting and buying habits. These web-based analytics will ensure that we become far more focused to addressing the spending patterns of our customers.

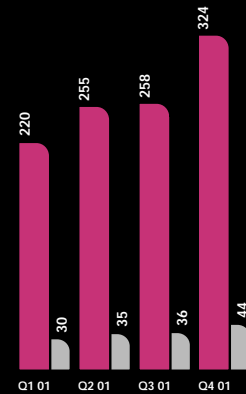
New platforms

We are continuing to innovate in technology particularly around new platforms such as voice recognition, mobile telephony and Interactive Digital Television (IDTV). Our cross platform strategy of reaching customers on the device of their choice through partnerships using mobile technology (WAP and SMS), IDTV, PDAs and voice is proving very successful in maintaining lastminute.com's position as a leader in technology innovation.

A pioneering Interactive Voice Recognition (IVR) project was implemented in December 2000 in conjunction with a specially produced gifts catalogue. This extended lastminute.com's addressable market by giving customers without access to the internet the opportunity to access a range of lastminute.com gift products by making a local call and speaking their preferences as listed in the catalogue. From a strategic perspective it complemented lastminute.com's multi-platform delivery model.

Another benefit to our hotel and restaurant suppliers in the UK was the introduction in August 2001 of what is believed to be the world's first voice extranet to manage inventories and hotel room bookings and restaurant reservations. The project uses interactive voice recognition technology to provide more efficient and automated booking facilities between hotel managers, restaurants and lastminute.com. The process has led to reduced costs and improved margins within our hotels and restaurants categories.

lastminute.com continues to innovate with our technology so customers can find the right product at the right time on the right device



lastminute.com is available via the web, WAP enabled mobile phones, Interactive Digital Television, Interactive Voice Recognition Channels and online and offline Customer Services.

TTV and gross profit per shopping basket (£)

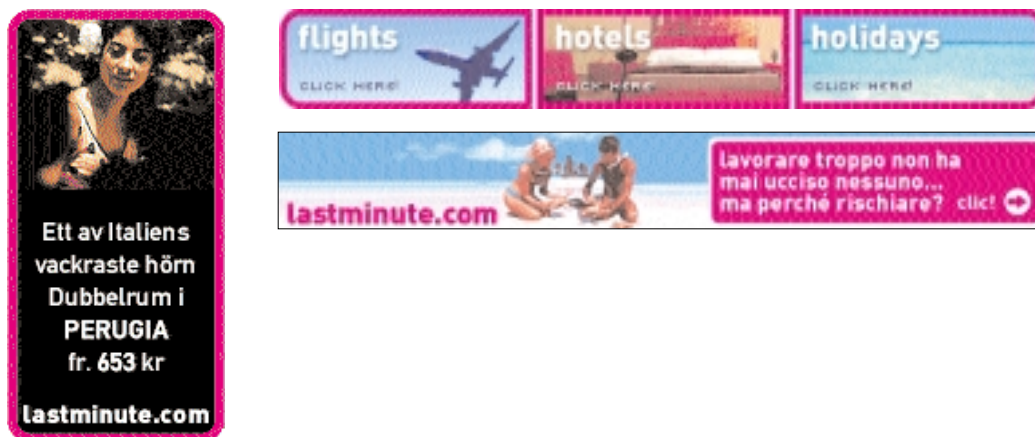
■ TTV ■ Gross profit



Operational review continued

Suppliers are recognising the value of lastminute.com as a delivery channel not only for the distribution of excess inventory, but also for targeting value deals directly to a relevant market. During Quarter 4 2001 a one month campaign with the Millennium & Copthorne Hotel Group resulted in the sale of over 4000 room nights across the UK.

Banners from lastminute.com sites



Product focus

Another important factor in increasing the usefulness of the site has been the continued expansion of our product range in all categories. Over the last twelve months we have both deepened relationships with existing suppliers and also added key new suppliers to our offering. We are able to help suppliers with a whole tool-kit of options for selling product at the last minute – through the push of our email or special merchandising promotions, through our search functionality and through auctions. All of these mechanisms allow suppliers to get the best possible yield for their products. As our position in Europe has consolidated our supplier relationships have become more meaningful and have delivered unbeatable deals to the customer.

In every category we have built exclusive value products that drive customers online to make a purchase. Pre-packaged holiday product has been one of the fastest areas of growth and we now have relationships with a number of the major tour operators in Europe, including Club Med and Thomas Cook, as well as a host of small and medium-sized operators that provide more exclusive city break and holiday products.

Within our hotels category we have built a market leadership position, particularly in London, where we regularly offer five star hotels at three star prices. To illustrate this we recently announced the success of a campaign with the Millennium & Copthorne hotel group where, over a month, we sold in excess of 4,000 room nights across the UK. We are able to leverage our hotels database across all our sites, meaning that we can share suppliers and product and thereby offer customers deals, which would be much harder to find offline. Over the year

we announced new hotel relationships with Accor, Sol Meliá and The Savoy Group. Airline relationships have also been extended and improved as new relationships have been announced with Alitalia, Lufthansa and Air France.

Within leisure we have been improving the customer experience across all sections – music, sport, theatre and comedy. For example, we have introduced a range of product from the large UK music promoter, the Way Ahead Box Office, to the UK site as well as building a profitable partnership with Formula One racing in Germany. We have also had availability for “hot ticket” stadium shows and concerts that have been extremely popular and driven potential customers to the site. Examples include Madonna, U2 and Robbie Williams that are also promoted across our European businesses.

lastminute.com's scalable technical architecture ensures that we are able to roll out new features and supply categories faster and more easily. This enhances lastminute.com's customer proposition. In July 2001 we announced the acquisition of Urbanbite.com. This has formed an integral part of the new “Staying In” category, which features innovative food and in-home entertainment delivery options as well as supporting our popular Restaurant bookings service. The sub categories listed on the homepage make it easier for visitors to find inspiration for all possible leisure activities available at the last minute.

Finally, the gifts offering has been revamped and with new merchandising, product information and supplier relationships, we are expecting to see similar growth this Christmas as last Christmas. One of the best products within the gifts section

lastminute.com has increased its product range substantially over the last year

We have deepened our product range by developing key relationships with supplier partners such as: Air France, Alitalia, Avis, British Tourist Authority, ITV Active, Lufthansa, and Sol Meliá; and with distribution partners such as: AOL Europe, Fnac, Granada, Microsoft, Nestlé, Orangina (AG Barr plc), Yahoo! UK and Ireland.



Operational review continued

An important element of lastminute.com's marketing strategy is the weekly newsletter, distributed in all markets. The newsletter has been completely overhauled in the last 12 months to maximise its multi-functional capability as a vehicle to drive sales, bring traffic to the website, a platform for advertising and provides an opportunity to communicate with our subscribers.



has been "Experiences" where customers can buy a voucher to use or send as a present for activities such as rally driving, hang-gliding and bungee jumping.

In aiming to give customers both inspiration and solutions at the last minute, we will continue to focus on expanding our product range within these categories. We will continue to deliver exclusive and special value products for our customers whilst also offering them the ability to search other linked databases for available product.

Whilst our successful partnerships with our suppliers are one of the cornerstones of our business, we have also worked hard to improve our operational relationships. We now upload certain key suppliers' products automatically into our database allowing them to confirm orders with our voice recognition platform.

Marketing initiatives

Throughout the year we have continued to aggressively build our brand awareness and understanding through three main mechanisms: online, offline and email marketing. As part of our growth strategy we have been able to leverage our brand awareness to build many new partnerships with complementary international brands.

Since the inception of the lastminute.com website we have built strong online partnerships. We recently signed an agreement with Yahoo! UK & Ireland where we provide online content to yahoo.co.uk as well as being an optional feature on Yahoo! users' personal homepages. When users select these offers they are directed to the lastminute.com booking service to complete their transactions.

The joint announcement with Granada Broadband in July 2001 of four new leisure sites for Liverpool FC.tv, ITV-F1, ITV-Football and Arsenal FC brings a selection of lastminute.com deals to a target market of visitors to these Granada Broadband sites that constitute one of the largest online sports categories in the UK.

In September 2001 we announced that lastminute.com had become the travel supplier for France's largest e-commerce site for leisure and cultural goods, Fnac.com. This relationship was launched in France in October 2001. We also implemented new deals with Yahoo.fr and Wanadoo.fr.

The lastminute.com weekly newsletter is multi-functional. It acts as a vehicle to drive sales, bring traffic to the website, a platform for advertising and an opportunity for us to communicate with our subscribers. It has been greatly enhanced over the past year to reflect the site developments and broader product range. Using new technology we are able to tailor the content to the subscriber, thereby making the newsletter increasingly relevant to the individual and an important tool to help them find the products most suited to their lifestyles. The success of the weekly newsletter is regularly demonstrated by the higher than average open rates and click throughs we achieve.

In the UK our advertising spend has reduced by 62.1% year on year. Overall the Group sales and marketing spend has reduced during each and every quarter of the year, even after taking account of the development of the new International markets. Quarter 4 sales and marketing costs have reduced by 16.6% compared with Quarter 1 2001.

Advertising spend in the UK has reduced by 62.1% year on year and overall the Group sales and marketing spend has reduced during each and every quarter while still maintaining excellent brand awareness in the sector. Strong management teams have been established in every market to ensure the development of the lastminute.com brand and vision internationally.



We have found that online viral marketing campaigns have great impact in building awareness of the lastminute.com brand to a highly relevant market with minimal cost. The www.officeflirttest.com survey that was launched to coincide with Valentine's Day 2001 received 0.5 million-page impressions in its first week and brought more hits back to Valentine Offers on the site than links on the homepage and newsletter combined.

We have used offline marketing tactically and cost effectively. We have an ongoing relationship with BAA plc that started in April 2000 and continues to promote the lastminute.com brand via promotional materials on display in the UK's major airports. In the lead up to Christmas 2000 we undertook a campaign to support our Christmas offers. 500,000 in-house designed Christmas gift catalogues were distributed in London via the Guardian and The Daily Mail with posters in the London Underground. Between June and November 2000 a co-branded promotion with Nestle resulted in 50 million Nestle chocolate products being distributed in Europe. In July 2001 we announced a joint promotion with Orangina that runs to December 2001 and appears on 9 million cans and bottles on sale throughout the UK.

As a result of these initiatives, combined with a substantially improved product offering, lastminute.com has received extremely positive ratings in its European markets from independent research companies over the year.

Plans for the new financial year

Over the coming year we will focus our efforts on reinforcing our technology leadership in European e-commerce by developing even better solutions to

present the right offer to the right customer on the right device. We will continue to expand our product depth by linking into more suppliers directly and we expect to build significant relationships with several more package tour operators to enable our customers to find even more products at the last minute.

We plan to make greater improvements to our flight booking engines and enable dynamic packaging across our unique range of products. By the middle of next year we also plan to expand our investments in voice recognition to enable our customers to book products by talking to our database via a fixed or mobile telephone.

We will also make more progress on unifying our technology platforms so that all sites run on a single system, enabling us to further reduce technology spend and achieve a greater return on our investments.

Outlook

Following another year of exceeding expectations, we continue on track to deliver operational profitability in our UK and French businesses in approximately six months time. Trading for the new financial year has started in line with the Board's expectations and will show considerable growth over the year that has just ended. The business is well positioned for the longer term.

Brent Hoberman *Martha Lane Fox*

Brent Hoberman
Chief Executive Officer
23 November 2001

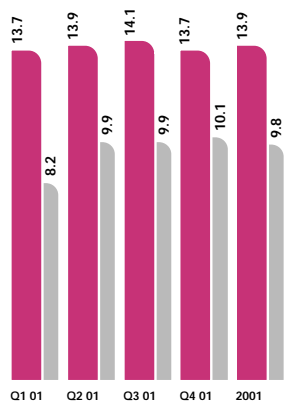
Martha Lane Fox
Group Managing Director

Financial review

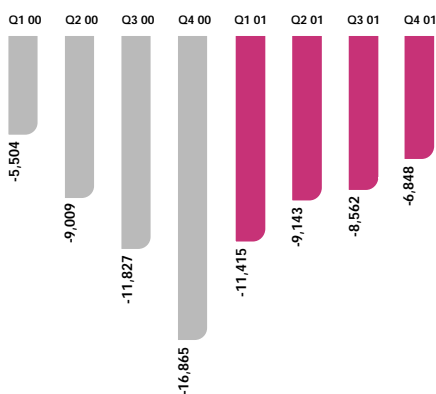
We have successfully reduced the cash outflow during each Quarter of 2001. Quarter 4 2001 operating cash outflow is 59.4% less than that in Quarter 4 2000.

Percentage gross margin

■ Comparative 2000 figures



Operating cash outflow (£'000)



Following the issue of UITF abstract 31 – Exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associate, on 18 October 2001, lastminute.com plc has re-assessed the way in which it accounts for goodwill and the gain arising on the establishment of joint ventures. In light of this re-assessment, the accounts for the year to 30 September 2000 have been restated to reflect the current guidance. The effect of this change has given rise to a £226,000 prior year adjustment relating to the gain on the establishment of a joint venture and a £42,000 prior year adjustment in respect of the reversal of the amortisation of the negative goodwill that was credited in the prior year.

Total transaction value (TTV), turnover and gross profit

Departure based TTV of products and services sold through our website and other electronic platforms for the year ended 30 September 2001 was £124.2 million, representing an increase of over 3.6 times the TTV for the year ended 30 September 2000 (2000: £34.2 million).

Turnover for the year was £18.4 million, representing an increase of 4.9 times that for the previous year (2000: £3.7 million).

Total cost of sales for the year amounted to £1.2 million (2000: £0.4 million). The low level of cost of sales relative to TTV and turnover continues to reflect the low level of risk inventory carried by the Group.

Gross profit for the year was £17.2 million, an increase in excess of 5.2 times last year (2000: £3.3 million).

The consolidated profit and loss account and cash flow for the year includes, for the first time, the results of the Degriktour Group that was acquired on 30 September 2000.

TTV, turnover and gross profit all showed substantial increases during the year under review. These increases were achieved as a result of our international expansion, increased conversion of registered subscribers to customers, increased average spend per item sold as well as the expansion of products and services available to our customers.

During Quarter 1 2001 we launched operations in Spain, Italy and the Netherlands. Our South African joint venture commenced operations during Quarter 2. In September 2001 we announced the completion of our third joint venture in Spain with Sol Meliá. We are continuing our strategy of focusing on the core markets of the UK, France and Germany, whilst at the same time growing non-core satellite markets.

Gross profit mainly consists of commissions earned on products and services sold, including airline tickets, hotel room reservations, package holidays, tickets to entertainment events, restaurant reservations and gifts. In addition, during the year, we increased the income earned from sponsorship and advertisements placed on our websites.

Despite the external market for the sale of advertising becoming more competitive, we have been very successful in securing increased revenue from this source, thus contributing to improved margins during the year.

Our margins have grown from 9.8% last year to 13.9% for the year just ended. This increase not only reflects the success in raising our advertising and sponsorship revenues but also demonstrates the benefits accruing from the improved relationships and arrangements with suppliers brought about through scale and negotiation.

Operating expenses

Product development costs

Total product development expenses for the year, before any charges for depreciation, were £7.8 million, a decrease from £10.0 million for the previous year. These expenses consist of the costs associated with maintaining our technology platform, personnel costs, web hosting fees, software license fees and other expenses associated with the ongoing operations of our website and associated electronic platforms. In addition, during the year, we capitalised £5.3 million of website development costs (2000: £6.5 million).

Sales and marketing costs

Reflecting the greatly increased scale of the business, total sales and marketing expenses for the year, before any charges for depreciation, were £27.2 million, an increase from £20.7 million for last year, but fell as a proportion of TTV from 60.6% to 21.9% as we leveraged our fixed cost base across a wider income stream.

Sales and marketing costs, before depreciation, non cash share-based compensation and the provision for National Insurance, have fallen from a high of £7.2 million in Quarter 1 2001 to £6.0 million in Quarter 4 2001. This reduction reflects the commitment to continue to reduce costs in a positive and progressive way as we move forward towards profitability.

General and administration costs

Similarly, general and administration costs for the year, before any charges for depreciation, increased from £10.8 million in the year to 30 September 2000 to £15.8 million, falling as a percentage of TTV from 31.6% to 12.7%.

Operating costs before depreciation and goodwill amortisation

The overall underlying trend for operating costs has shown a reduction each quarter throughout the year to 30 September 2001. This reduction again reflects management commitment to progressively reduce the overall cost base of the business as we move forward towards profitability.

EBITDA

The Group's operating loss before charging depreciation and goodwill amortisation fell from £38.1 million for the year ended 30 September 2000 to £33.6 million for the year ended 30 September 2001. The reduced loss reflects the increased scale of contribution from the Group's gross profit which has risen 5.2 times during the year, whilst the operating cost base (before depreciation and goodwill amortisation) has only risen by 1.2 times.

The reported loss before charging depreciation and goodwill amortisation shows a significant improvement during the course of the year, falling from a loss of £10.7 million in Quarter 1 2001 to a loss of £5.7 million in Quarter 4 2001, a reduction of 46.4% over the year.

Depreciation

Depreciation relates to the depreciation of computer systems, equipment and computer software. Charges have increased during the year reflecting the start of depreciation on the capital expenditure relating to our website platform, the development of which was completed in early October 2000 (2001: £8.7 million; 2000: £1.3 million).

Goodwill

During the year goodwill amortisation totalled £14.7 million in relation to the acquisition of the Degriffour Group and Urbanbite Limited. Goodwill is being amortised over a 4-year period from the date of acquisition.

Loss on ordinary activities before taxation

The loss on ordinary activities before taxation for the year was £53.7 million (2000: £35.8 million).

The loss for the year includes a share of the operating losses from the joint ventures operated in Australia, South Africa and, from 1 September 2001, Spain.

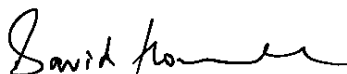
Net cash balance and reduced operating cash outflow

As at 30 September 2001 the net cash position of the Group stood at £46.6 million compared to £103.7 million as at 30 September 2000. The reduction in net cash is due to consideration paid in October 2000 totalling £21.4 million in respect of the acquisition of Degriffour and operating cash outflows generally. Cash is placed on deposit with AAA/AA rated credit institutions and earns competitive rates of interest.

During the year we have successfully reduced the operating cash outflow each quarter, such that by Quarter 4 2001, operating cash outflow was reduced to £6.8 million (Q4 2000: £16.9 million), a reduction of 59.4% over Quarter 4 2000.

Loss per share

The loss per share amount has been based on the weighted average number of ordinary shares in issue during the year.



David Howell
Chief Financial Officer
23 November 2001

Board of Directors



Allan Leighton
Brent Hoberman
Martha Lane Fox
David Howell

Allan Leighton

Chairman

Allan was appointed Chairman and a Non-Executive Director of the Company in October 2000. He previously served as President and Chief Executive Officer of Wal-Mart Europe. He worked at Asda Group from June 1992 to November 2000 and was Group Chief Executive from 1996 to 2000. Allan is also the Chairman of British Home Stores Limited, Cannons Group and Wilson Connolly Holdings PLC, Deputy Chairman of Leeds Sporting PLC and a Non-Executive Director of BSkyB PLC, Consignia plc, Dyson Limited, George Weston Limited and Scottish Power plc.

Brent Hoberman

Chief Executive Officer

Brent is the Chief Executive Officer of the Company. He was a Co-Founder of lastminute.com and has been an Executive Director of the Company since February 2000 and of Last Minute Network Limited since inception in April 1998. Previously Brent was a Senior Associate at Spectrum Strategy Consultants and held the business development responsibilities at Line One, an internet service provider owned by News International, British Telecom and United News & Media. Brent was also part of the founding team of the European auction site, QXL.

Martha Lane Fox

Group Managing Director

Martha is Group Managing Director of the Company. She was a Co-Founder of lastminute.com and has been an Executive Director of the Company since February 2000 and of Last Minute Network Limited since inception in April 1998. From May 1997 to April 1998 she was Business Development Manager at Carlton Communications. Prior to that she was an Associate at Spectrum Strategy Consultants, where she specialised in pay television and managed teams both in the UK and Asia.

David Howell

Chief Financial Officer

David was appointed Chief Financial Officer and an Executive Director of the Company in July 2001. Prior to this appointment he was Group Finance Director of First Choice Holidays PLC between 1997 and 2001. Previously David was Group Finance Director of Central Transport Rental Group PLC and Group Chief Executive of GN Comtext Limited, a subsidiary of GN Great Nordic. Since 1999 David has also acted as a Non-Executive Director of Nestor Healthcare Group PLC.



Bob Collier
Linda Fayne Levinson
Laurent Laffy
Brian Collie



Bob Collier * +
Vice Chairman

Bob has been Vice Chairman and a Non-Executive Director of the Company since February 2000, and was previously a Director of Last Minute Network Limited from October 1998. Since 1998, Bob has been a principal in RBC Associates. He previously served as a Vice-Chairman of Saison Overseas BV, the former parent company of Intercontinental Hotels Group, after serving as Joint Managing Director of Intercontinental Hotels Group from 1994 to 1997. He is Non-Executive Chairman of both Bristol Golf Club Ltd and Myhotels Limited, and is also a Non-Executive Director of All Hotels.com Limited, Green Globe Limited, London Wasps Holdings PLC, and Pegasus Solutions Inc.

Linda Fayne Levinson * +
Non-Executive Director

Linda has been a Non-Executive Director of the Company since February 2000, and was previously a Director of Last Minute Network Limited from June 1999. Linda has been a Partner of GRP Partners, Inc., a venture capital firm, since 1997. From 1994 to 1997, she was President of Fayne Levinson Associates, a consultancy advising major and early stage corporations on issues of strategy. Previously, she was a Partner of Alfred Checchi Associates Inc., Senior Vice President of American Express Travel Related Services Co., Inc., and a Partner with McKinsey & Company. Linda currently serves on the boards of Administaff, Inc., Overture Services Inc (formerly GoTo.com), Jacobs Engineering Group, Inc. and NCR Corporation.

Laurent Laffy *
Non-Executive Director

Laurent has been a Non-Executive Director of the Company since February 2000, and was previously a Director of Last Minute Network Limited from June 1998, serving as Chairman from June 1998 to November 1998. He is a Partner of Arts Alliance Advisors, which acts as an investment advisor to Cheetah International Investment Limited. Laurent currently serves on the boards of Asserta Holdings Limited, Chateau-Online SA, Kiara SA, LibertyTV.com, PrePay Technologies Limited, Servista.com Limited and Venture Capital Report Limited.

Brian Collie +
Non-Executive Director

Brian has been a Non-Executive Director of the Company since February 2000. He has been Group Retail Director and an Executive Director of BAA plc since 1997, responsible for all commercial income at BAA's airports globally, and was responsible for establishing World Duty Free, the international duty free subsidiary of BAA; he was previously Retail Director at Gatwick Airport. Brian is Chairman of World Duty Free plc and a Director of the British Institute of Retailing.

+ Member of Remuneration Committee

* Member of Audit Committee

Directors' report

The Directors present their report and the financial statements for the year ended 30 September 2001.

Principal activities

The Group offers consumers last minute opportunities to acquire airline tickets, hotel rooms, package holidays, entertainment tickets, restaurant reservations, gifts and specialities and eating-in services and aims to package and deliver these products and services in convenient, novel and distinctive ways.

The Group operates in the United Kingdom, France, Germany, Italy, Sweden and the Netherlands and within joint ventures in Australia, South Africa and Spain.

During the year the Company purchased 100% of the shares of Urbanbite Limited, enhancing the offering provided through the Group's eating-in services.

A more detailed review of the business of the Company and its subsidiary undertakings and an indication of likely future developments are contained in the Chairman's statement on page 2, the Operational review on page 4 and the Financial review on page 14.

Dividends

The Directors recommend that no dividend be paid for the year ended 30 September 2001 (2000: £nil). This is consistent with the intentions of the Group as set out in the Listing Particulars relating to lastminute.com plc dated 1 March 2000.

Post balance sheet events

Events since the balance sheet date are as disclosed in note 26 of the Notes to the financial statements.

Directors and their interests

The names of the Directors at the date of this report, together with their biographical details, are set out on pages 16 to 17. The interests of Directors in the ordinary shares of the Company are given in the Remuneration report on pages 22 to 24. All the Directors held office throughout the year other than Allan Leighton, Pierre Alzon and David Howell who were appointed on 20 October 2000, 23 October 2000 and 4 July 2001 respectively. Thomas Teichman and Pieter Bouw resigned as Directors on 19 March 2001 and 1 June 2001 respectively. Pierre Alzon ceased to be a Director on 22 November 2001.

In accordance with the Articles of Association, David Howell, who was appointed a Director during the year, retires at the Annual General Meeting and will offer himself for election. David Howell's biographical details are set out on page 16.

Substantial shareholders

As at 23 November 2001, the Directors had been notified or were aware of the following interests, other than interests held by Directors, which represent 3% or more of the issued share capital of the Company.

	Number of ordinary shares	%
Cheetah International		
Investments Limited	25,738,065	14.85
The Reverse Family	15,366,000	8.86
Global Retail Partners	13,371,280	7.71
Innovacom 3	6,595,820	3.80
BAA plc	6,082,655	3.51

Employee policy and involvement

lastminute.com's human resources strategy is to attract, retain and reward talented, high calibre employees focused on achieving excellent results. The Directors believe that the Company's market profile, its focus on recruiting the very best people, wide ranging remuneration strategies and innovative retention schemes continue to help achieve this aim.

The human capital of lastminute.com is key to the continuing success of the Group and enormous importance is placed on the contributions of employees. Employees are directly involved in impacting the Group's performance through objectives driven performance management which is tied to Company targets. Similarly, the involvement of all employees in the Group's present and future performance is encouraged through the employee share option schemes.

Communication and strong employee relations are important to the Directors and to managers throughout the entire business. Employees are kept informed of developments in the Group by way of regular staff meetings, the widely used company intranet "the Matrix", the employee newsletter "fastminute" and regular local updates and presentations.

lastminute.com does not discriminate on any grounds other than ability. It is Company policy to consider fully applications for employment by disabled persons, bearing in mind the aptitude of the applicant concerned. In the event of a member of staff becoming disabled, every effort would be made to ensure their continued employment.

Supplier payment policy

It is the policy of the Group that subsidiary companies agree payment terms and conditions with individual suppliers, which vary according to the commercial relationship and the terms of the agreements reached, and establish terms of trade consistent with practice in their country of operation. The Company is a holding company and has no trade creditors. At 30 September 2001, the Group had an average 31 days outstanding in trade creditors (at 30 September 2000, 34 days excluding Degriktour).

Political and charitable donations

The Group made charitable donations of £5,000 during the year (2000: £6,014). No political donations were made during the year (2000: nil).

Auditors

During the year Ernst & Young acted as auditor to the Company until 28 June 2001. On 28 June 2001, Ernst & Young transferred its business to a limited liability partnership, Ernst & Young LLP, incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held at Westminster Theatre, 12 Palace Street, London SW1E 5JF on Thursday 14 February 2002 at 10.00 am. The notice of meeting is set out on pages 44 to 45 of the Annual Report.

By order of the Board



Simon A. Watkins

Secretary
23 November 2001

Statement of Directors' responsibilities in respect of the financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

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

The Directors fully appreciate the importance of sufficient cash resources in the industry that the Company operates in. This, together with a lack of borrowing facilities, has meant that significant focus has been applied in relation to budgeting and cash flow forecasting. The Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Corporate governance

The Board are committed to ensuring that high standards of corporate governance are practised throughout the Group to discharge its responsibility to protect and enhance shareholder value and long term financial performance. During the year the Company has been in compliance with the majority of the provisions of the Combined Code appended to the Listing Rules of the UK Listing Authority ("the Code"). Given the size and stage of development of the Group, the Board are aware of some departures from the Code and consider these necessary, but are working towards full compliance. Explanations for current non-compliance with the Code are described below.

The Board

The Board currently has eight members comprising an Independent Non-Executive Chairman, the Chief Executive Officer, the Group Managing Director, the Chief Financial Officer and four Non-Executive Directors. Each Director is required to retire at the first Annual General Meeting after their appointment and at the Annual General Meeting falling no later than the third anniversary of their appointment or re-appointment. The biographies of the current Directors are presented on pages 16 to 17.

Allan Leighton and Bob Collier are considered to be Independent Non-Executive Directors and Bob is considered the Senior Independent Non-Executive Director. Brian Collie, Linda Fayne Levinson and Laurent Laffy are Non-Executive Directors but are not considered to be Independent as they are affiliated to major shareholders of the Company. Accordingly, the Company does not comply with provision A.3.2 of the Code.

The Board meets nine times per year with additional meetings convened when necessary. Prior to each meeting, an agenda and Board papers for each agenda item are circulated to the Directors. Given the stage of the Company's development, all major decisions affecting the Company are reserved for the Board including strategy, principal items of expenditure, operating policy and investment decisions in order to ensure that the long term interests of shareholders, employees, customers and suppliers are considered.

All Directors have access to the advice and services of the Company Secretary and independent professional advice, if required, and receive appropriate training as necessary on an ongoing basis.

The Board Committees

The Board has the following Committees:

The Remuneration Committee is described in the Remuneration report on pages 22 to 24. As stated in the Remuneration report, the Committee does not consist of a majority of Independent Non-Executive Directors and therefore the Company does not comply with provision B.2.2 of the Code. In addition, the remuneration packages of Brent Hoberman and Martha Lane Fox do not contain significant performance related elements and therefore the Company does not comply with provision B.1.4 of the Code, although as mentioned in the Remuneration Report, the Committee considers that their interests are aligned with shareholders by virtue of their significant shareholdings.

The Audit Committee comprises three Non-Executive Directors; Bob Collier is Chairman and its other members are Linda Fayne Levinson and Laurent Laffy; Pieter Bouw was also a member of the Committee until 1 June 2001. Meetings are also attended by the Company Secretary and, by invitation, the Chief Financial Officer and the auditors. The Committee, which meets four times a year, has terms of reference covering the Company's annual and quarterly reporting, and the auditors' involvement in that process, focusing particularly on compliance and accounting standards. The Committee does not consist of a majority of Independent Non-Executive Directors and therefore the Company does not comply with provision D.3.1 of the Code.

The Nomination Committee is not a standing Committee but is comprised of sufficient Non-Executive Directors considered appropriate in respect of each proposed Board appointment. It meets when necessary to consider Board composition and Board appointments. During the year the Committee did not meet as the appointments of Allan Leighton, David Howell and Pierre Alzon were considered by the full Board.

Relationships with shareholders

Communications with shareholders are given high priority to ensure a growing dialogue with investment audiences. During the year, shareholders are kept informed as to the progress of the Company through quarterly statements and occasional trading updates. There is regular dialogue with institutional investors following the publication of quarterly results.

The Board recognises that not all of the Company's private shareholders have the same regular access to market information. However, shareholders can raise questions with the Company at any time and the Board uses the Annual General Meeting, to communicate with private investors. The Company also operates an Investor Relations website, www.lastminute.com/ir on which it publishes all financial and general press releases and other information about the Company.

In addition, the Company produces both an Annual Report and a Summary Financial Statement, which it believes provides information to both institutional and private shareholders in the most effective way. The Company makes arrangements for the report and accounts and notice of meeting to be dispatched to shareholders at least 20 working days prior to the Annual General Meeting and advises shareholders attending the Meeting of the number of proxy votes in favour and against each resolution.

Internal control

In the Annual Report for the year ended 30 September 2000, the Group adopted the transitional arrangements for compliance with the internal control requirements of the Combined Code. Since the beginning of the year, the Board has been reviewing and implementing procedures and controls to ensure compliance with the requirements set out in Internal Control: Guidance for Directors on the Combined Code. This year, the Board reports on its review of internal control, including the effectiveness of identification, evaluation and management of all significant risks affecting the Group.

The Board has ultimate responsibility for the system of internal control and also reviewing its effectiveness. The Chief Executive Officer, with his senior management team, has day-to-day control over the Group's operations within the guidelines adopted by the Board. Whilst the internal control system is designed to meet the risks to which the Group is exposed, any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

The main elements of the Group's system of internal control are:

Strategic business planning and performance monitoring

The business has defined targets, which are set by the Board at the beginning of each fiscal year, against which performance is monitored on a monthly basis. The Executive Management team reviews key performance indicators on a weekly basis. In addition, the Group operates a budgeting and financial reporting system, with key figures being reviewed both locally and on a Group basis against budget. A detailed trading report is submitted to the Board at each meeting.

Risk management

During the year the Global Risk Management Team has been established to provide further assurance and recommendations to the Board on risk and control. It comprises senior operational and financial management and holds risk workshops on a quarterly basis. The Global Risk Management Team has reviewed the Group's risk framework by establishing an Internal Control and Risk Management Policy and a Risk Register. The Team assesses all identified major risk areas at each meeting and, where appropriate, recommends corrective action to the Executive Management team and to the Audit Committee and Board where necessary.

Operating controls

The Board is keen to ensure that a formal approach to risk is embedded across all functions of the Group. An outline of the main objectives of The Internal Control and Risk Management Policy have been communicated to all employees. The annual budgetary process and authorisation levels regulate expenditure. For expenditure above specified levels, detailed written proposals are required for review and authorisation. All significant investment decisions are reviewed by the Board.

Internal audit

The Group has a Commercial Internal Auditor whose role is to support the Board, the Audit Committee and Executive Management in assessing, controlling and monitoring business risks and, through effective and efficient systems of internal control to mitigate against fraud.

Audit Committee

The Audit Committee receives reports from Executive Management, the Global Risk Management Team and the Commercial Internal Auditor to obtain reasonable assurance that appropriate control procedures are in place and being adhered to and reports on all these matters to the Board.

Whilst the Company has not been in full compliance with the requirements set out in Internal Control: Guidance for Directors on the Combined Code throughout the year, the Board have reviewed the effectiveness of the Company's internal control systems considering the processes set out above and believe that the actions taken during this year and the framework now in place, is sufficient to confirm that the Company is fully compliant at 30 September 2001 and up to the date of this report.

Remuneration report

The Remuneration Committee is responsible for developing policy on remuneration for Executive Directors and senior management and to make recommendations to the Board in respect of specific remuneration packages for each of the Executive Directors. The Committee also approves allocations and any performance conditions under the Company's share option schemes. No Director is involved in deciding his or her own remuneration. Linda Fayne Levinson chairs the Committee, with Bob Collier and Brian Collie as Committee members; they are all Non-Executive Directors. Pieter Bouw was a member of the Committee until 1 June 2001.

Remuneration policy

The objective of the remuneration policy is to provide a remuneration package which is competitive to attract, motivate and retain Directors and senior management of high calibre. In setting the remuneration package for individual Executive Directors, the Remuneration Committee has:

- taken advice from remuneration surveys and human resource professionals;
- taken due regard to the Directors' experience, responsibility, nature and complexity of their work;
- taken into account the remuneration of individuals at other levels in the Group; and
- linked remuneration packages to the Group's long-term performance through the award of share options, details of which are provided below.

No part of the remuneration package of either Brent Hoberman or Martha Lane Fox is performance related and as such the Company does not fully comply with provision B.1.4 of the Combined Code. However, given their respective significant shareholdings in the Company, the Committee believes that their interests are aligned with those of other shareholders. David Howell has entitlement to a performance based bonus, details of which are outlined below.

1 Salary and benefits

The Committee reviews the salary for each Executive Director on an annual basis; there is no automatic adjustment in respect of inflation. Having regard to market conditions, none of the Executive Directors or other members of senior management received an increase in salary during the year. Benefits comprise life assurance, permanent health and private medical insurance.

2 Annual bonus

Neither Brent Hoberman nor Martha Lane Fox have contractual arrangements to participate in the Group's annual bonus scheme; the payment of any bonus will be determined by the Committee having regard to the Company's performance. David Howell is entitled to a discretionary annual bonus of up to 30% of base salary depending on individual and Company performance against set targets. Any bonus paid may be in the form of cash or shares at the option of the Director.

3 Pensions

In line with the standard employee remuneration package, the Company provides each Executive Director with a salary supplement of 14% of basic salary, which may be taken in cash or by way of a contribution to their individual pension arrangements.

4 Share options

The Company currently operates four employee share schemes in which all employees and Directors in the Group participate, and one scheme which has been utilised to grant options to Non-Executive Directors. Options are viewed as an integral part of the total remuneration package for all employees. To date employees and Directors have generally received one grant of options on joining the Group generally on similar terms. Directors and senior executives may be granted initial enhanced option grants as part of the negotiation of their overall remuneration package on joining. As the current schemes are applicable to all employees there are no performance conditions attaching to the options.

The Committee has reviewed the Group's share incentive arrangements and is proposing to introduce a new share savings scheme which will be available initially to all UK employees, but may be extended to overseas employees at a later date, and to introduce a new system of annual grants to all employees under the existing share option schemes. At the same time, the Committee is proposing that the limits on all its share option schemes be altered to more closely follow current practice.

The new share savings scheme will allow eligible employees to save from their salary to buy shares in the Company on potentially favourable terms. Further details are set out in the Memorandum to Shareholders attached to the Notice of Annual General Meeting on pages 46 to 47.

At present, the Company is limited to granting options over 15% of its share capital, counting options granted both before its initial public offering (IPO) in March 2000 and those granted subsequently. It is now proposed to reduce the overall percentage of share capital which is available under all the Company's share option schemes to 10% (reflecting institutional shareholder guidelines) but, at the same time, to exclude options granted before IPO (in accordance with common practice following an IPO).

A 5% limit will apply to "executive" options i.e. those granted under the Company's existing share option schemes other than where (as is normally the case) the grants are made on any occasion either to the majority of those eligible to participate in the schemes or on a similar basis to such grants to new recruits.

A copy of the draft rules of the new scheme will be available during normal business hours on any weekday (Saturdays and Bank Holidays excepted) at the registered office of the Company from the date of the Notice of Meeting up to and including the date of the Annual General Meeting (or any adjourned meeting) and at the Annual General Meeting itself (or any adjourned meeting) from 15 minutes beforehand.

5 Service agreements

Brent Hoberman and Martha Lane Fox have service agreements with the Company dated 24 February 2000 and David Howell has a service agreement with Last Minute Network Limited dated 21 June 2001. The agreements may be terminated by either the Director or the respective company by giving six months notice. With the exception of the payment of any salary and benefit, and any accrued bonus for David Howell, for the six month notice period, no further compensation is payable on any termination of contract.

Pierre Alzon had an employment contract with Voyage Sur Mesures dated 15 July 1992. Pursuant to an agreement dated 19 September 2001, the employment contract will terminate on 18 December 2001. Full details of the compensation payable to Pierre Alzon are given below.

Allan Leighton was appointed to the Board as Non-Executive Chairman on 20 October 2000. He receives no fees in relation to his role but is reimbursed for reasonable expenses. He also received a grant of share options under the Non-Executive Share Option Scheme 2000 as outlined below.

6 Non-Executive Directors

All Non-Executive Directors have letters of appointment from the Company. Allan Leighton, Brian Collie, Laurent Laffy and Linda Fayne Levinson receive reimbursement for reasonable expenses. Bob Collier receives fees equal to £500 per month.

Directors' remuneration

The remuneration of the Directors was as follows:

	Basic salary and fees £	Cash supplement in lieu of pension/ benefits £	Bonus £	Benefits £	Total 2001 £	Total 2000 £
Executive Directors:						
Brent Hoberman	150,000	21,000	–	2,295	173,295	136,180
Martha Lane Fox	118,500	16,590	–	2,499	137,589	114,431
David Howell	35,000	4,900	–	65	39,965	–
Pierre Alzon ¹	99,882	10,618	27,551 ²	–	138,051	–
Non-Executive Directors:						
Bob Collier	6,000	–	–	–	6,000	6,000
Pieter Bouw	500	–	–	–	500	6,000

No other bonuses were paid during the year.

The Company does not remunerate any other Directors for their services on the Board of Directors or any Committee of the Board.

Pieter Bouw made a gain of £264,131 on the exercise of share options during the year following his resignation from the Board.

The highest paid Director was Brent Hoberman whose emoluments are shown above, but when gains on the exercise of share options are included, the highest paid Director in 2001 was Pieter Bouw with an option gain of £264,131.

¹ In addition to his emoluments paid during employment, Pierre Alzon will receive a total of £102,877 compensation payable as a result of the termination of his employment contract. This amount is payable at various dates to January 2002, but is fully accrued within the year to 30 September 2001.

² The bonus for Pierre Alzon was paid during the year, but accrued within the Degriktour Group in the year to 30 September 2000 prior to the acquisition of Degriktour by the Group.

Remuneration report continued

Directors' interests in shares

The Directors' beneficial interests in the ordinary shares of the Company were as follows:

	30 September 2001 Number	1 October 2000 (or date of appointment if later) Number
Pierre Alzon	1,983,835	1,983,835
Brian Collie	19,155	13,155
Bob Collier	13,157	13,157
Brent Hoberman	15,836,133	15,708,860
Laurent Laffy ¹	25,738,065	25,738,065
Martha Lane Fox	10,207,879	10,182,425
Allan Leighton	197,273	–
Linda Fayne Levinson ²	13,371,280	13,371,280

¹ Laurent Laffy is a partner in Arts Alliance Advisors, investment advisor to Cheetah International Investments Limited, which has an interest over 25,738,065 (2000: 25,738,065) ordinary shares. He has a beneficial interest in 45,600 (2000: 45,600) of the ordinary shares held by Cheetah International Investments Limited.

² Linda Fayne Levinson is a partner of Global Retail Partners, L.L.P. and its affiliates, which have an interest in 13,371,280 (2000: 13,371,280) ordinary shares. She disclaims beneficial ownership of these shares, except for her proportional interest therein.

No other Director has any interest in ordinary shares.

Share options

The Directors' interests in share options over ordinary shares were as follows:

	Exercise price	At 30 September 2000 Number	Granted during year Number	At 30 September 2001 Number	Exercisable until
	pence				
Executive Directors:					
Brent Hoberman	2.31	151,335	–	151,335	28 June 2008
Martha Lane Fox	2.31	129,675	–	129,675	28 June 2008
David Howell	34.00	–	1,000,000	1,000,000	3 July 2011
Pierre Alzon	35.00	–	56,663	56,663	30 August 2011
Non-Executive Directors:					
Bob Collier	2.31	360,625	–	360,625	31 October 2008
Allan Leighton	137.50	–	1,000,000	1,000,000	7 January 2011

No options held by any current Director lapsed or were exercised during the year. The options are granted in accordance with the terms and conditions laid out in the 1998 Unapproved Executive Share Option Scheme, the 2000 Approved Executive Share Option Scheme, the 2000 Unapproved Executive Share Option Scheme and the Non Executive Share Option Scheme 2000.

The market price of the Company's shares on 30 September 2001 was 20p and the high and low share prices during the year were 140p and 19.5p respectively (2000: 333.5p and 122.5p).

There have been no changes in the interests of the Directors since 30 September 2001. Full details of Directors' shareholdings and options are contained in the Register of Directors' Interests which is kept by the Company and is open to inspection in accordance with the provisions of the Companies Act 1985.

Report of the auditors to the shareholders of lastminute.com plc

We have audited the accounts on pages 26 to 43, which have been prepared under the historical cost convention and the accounting policies set out on pages 29 to 31.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 19 this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on pages 20 to 21 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risk and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

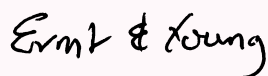
Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style font.

Ernst & Young LLP

Registered Auditor
London
23 November 2001

Consolidated profit and loss account for the year ended 30 September 2001

	Notes	Year ended 30 September 2001 £'000	Restated ¹ Year ended 30 September 2000 £'000
Total transaction value (TTV)²	2	124,210	34,189
Turnover	2		
Group and share of joint ventures		18,416	3,740
Less share of joint ventures		(47)	–
Group turnover		18,369	3,740
Cost of sales		1,165	401
Gross profit		17,204	3,339
Operating costs			
Product development		7,800	9,951
Sales and marketing		27,207	20,711
General and administration		15,787	10,811
Operating costs before depreciation and amortisation		50,794	41,473
EBITDA		(33,590)	(38,134)
Depreciation	3	8,744	1,317
Goodwill amortisation	3	14,660	–
Total operating costs		74,198	42,790
Group operating loss	3	(56,994)	(39,451)
Share of operating loss in joint ventures	13	(196)	(75)
Total operating loss: group and share of joint ventures		(57,190)	(39,526)
Interest receivable	5	3,480	3,777
Interest payable and similar charges	6	(36)	(41)
Loss on ordinary activities before taxation	2	(53,746)	(35,790)
Tax on loss on ordinary activities	8	158	–
Loss for the financial year and transfer from reserves	22	(53,588)	(35,790)
Loss per share – basic and diluted	10	(31.50)p	(36.39)p

The above results all arise from continuing operations.

¹ See note 13.

² TTV does not represent the Group's statutory turnover and comprises amounts relating to the Group and its share of joint ventures.

Consolidated statement of total recognised gains and losses

for the year ended 30 September 2001

	Notes	Year ended 30 September 2001 £'000	Restated ¹ Year ended 30 September 2000 £'000
Loss for the year excluding share of losses in joint ventures		(53,392)	(35,715)
Share of joint ventures' loss for the year	13	(196)	(75)
Gain on the establishment of joint ventures	22	202	226
Foreign currency translation difference	22	(414)	22
Total recognised gains and losses for the year		(53,800)	(35,542)
Prior year adjustment	13	184	–
Total gains and losses recognised since last annual report		(53,616)	(35,542)

¹ See note 13.

Balance sheets at 30 September 2001

	Notes	Group 2001 £'000	Restated ¹ Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Fixed assets					
Intangible assets	11	43,992	58,636	-	-
Tangible assets	12	13,656	13,972	-	-
Investments	13	-	-	1,427	1,370
joint ventures – gross assets		455	230	-	-
– gross liabilities		(78)	(23)	-	-
Total joint venture net assets	13	377	207	-	-
Total fixed assets		58,025	72,815	1,427	1,370
Current assets					
Stocks	14	40	52	-	-
Debtors	15	11,173	10,543	118,604	116,786
Cash at bank and in hand		46,617	103,688	6,475	-
		57,830	114,283	125,079	116,786
Creditors: amounts falling due within one year	16	26,400	38,363	-	-
Net current assets		31,430	75,920	125,079	116,786
Total assets less current liabilities		89,455	148,735	126,506	118,156
Creditors: amounts falling due after more than one year	17	-	6,031	-	-
Provisions for liabilities and charges	19	543	1,410	-	-
Net assets		88,912	141,294	126,506	118,156
Capital and reserves					
Called up share capital	21	1,733	1,505	1,733	1,505
Share premium account	22	112,983	112,923	112,983	112,923
Shares to be issued	22	-	197	-	197
Profit and loss account	22	(94,080)	(40,280)	5,406	(1,672)
Merger reserve	22	61,892	61,746	-	-
Other reserves	22	6,384	5,203	6,384	5,203
Total equity shareholders' funds		88,912	141,294	126,506	118,156

¹ See note 13.

These financial statements were approved by the Board of Directors on 23 November 2001.



David Howell
Director

Consolidated statement of cash flows for the year ended 30 September 2001

	Notes	Year ended 30 September 2001 £'000	Year ended 30 September 2000 £'000
Net cash outflow from operating activities	23(a)	(31,079)	(34,652)
Returns on investments and servicing of finance			
Interest received		3,480	3,777
Interest paid		(36)	(41)
Net returns on investments and servicing of finance		3,444	3,736
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(8,420)	(12,289)
Receipts from sale of tangible fixed assets		87	-
Acquisitions			
Cash acquired with new subsidiary		160	747
Payments to acquire subsidiary ¹		(21,350)	-
Net cash outflow before management of liquid resources and financing		(57,158)	(42,458)
Management of liquid resources			
Increase in short term deposits	23(c)	(1,502)	(2,547)
Financing			
Issue of share capital		87	153,875
Costs associated with issue of share capital		-	(11,978)
(Decrease)/increase in cash		(58,573)	96,892

¹ Relates to consideration on the acquisition of the Degrifour Group.

Reconciliation of cash flow to movement in net funds

	Notes	Year ended 30 September 2001 £'000	Year ended 30 September 2000 £'000
Movement in cash		(58,573)	96,892
Cash outflow from short term deposits	23(c)	1,502	2,547
Net funds at the beginning of the year	23(b)	103,688	4,249
Net funds at the end of the year	23(b)	46,617	103,688

Notes to the financial statements at 30 September 2001

1 Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards.

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 Degriktour Group drawn up to 30 September 2001. No separate profit and loss account is presented for lastminute.com plc as permitted by Section 230 of the Companies Act 1985.

The Degriktour Group of companies (Revalfi S.A., Voyages Sur Mesures S.A. and Activnet S.A.R.L.) have been included in the Group financial statements using the acquisition method of accounting. The date of acquisition was 30 September 2000. Accordingly for the year ended 30 September 2000, the Group profit and loss account and statement of cash flows did not include any results of the Degriktour Group.

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

Details of the restatement of the comparative figures in respect of the Group's investment in its Australian joint venture, lastminute.com (Australia) Pty Limited are given in note 13.

TTV

TTV, which is stated net of value added tax and associated taxes, does not represent the Group's statutory turnover.

In the majority of transactions, where the Group acts as agent or cash collector, TTV represents the price at which goods or services have been sold across the Group's various platforms.

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 TTV represents the flat fee commission earned.

In the small number of cases where the Group acts as principal, TTV represents the price at which goods or services have been sold across the Group's various platforms.

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.

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 the Group's various platforms.

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.

Travel turnover is recognised at the date of departure.

Turnover also includes advertising, sponsorship and Minitel income.

Product development costs

Product development costs include expenses incurred by the Group to manage, monitor and operate the website 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.

Notes to the financial statements at 30 September 2001

1 Accounting policies continued

Deferred taxation

Provision is made or recovery anticipated in respect of all timing differences likely to reverse in the foreseeable future without being replaced 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 average rates of exchange for the period. 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.

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 not recognised 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 life 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 values 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 office equipment	– four years
Computer systems and equipment	– three to five years
Computer software	– two to three 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 volume of goods purchased and can redeem the "Award Minutes" against offers on the website.

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

Notes to the financial statements at 30 September 2001

1 Accounting policies continued

Employee share schemes

In accordance with UITF abstract 17 (revised 2000), 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 on a straight line basis over the period in which the options vest.

The Group provides for National Insurance contributions on options granted to UK employees on or after 6 April 1999 under its unapproved share option schemes in accordance with UITF abstract 25 National Insurance on share option gains. The expected charge is allocated over the period in which the options vest on a straight-line basis.

Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Provision is made for future rentals where properties are not in use at the period end.

2 TTV, 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. The Group's TTV and turnover are all generated within this segment.

Geographical analysis:

	TTV (by destination and source)		Turnover (by destination and source)	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
By geographical area				
United Kingdom	48,723	33,614	6,899	3,085
Other European Union countries	75,066	575	11,470	655
Joint ventures	421	-	47	-
	124,210	34,189	18,416	3,740
	Net loss on ordinary activities before taxation		Net assets/ (liabilities)	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
		restated		restated
By geographical area				
United Kingdom ¹	(29,720)	(29,937)	53,953	20,937
Other European Union countries ²	(27,274)	(9,514)	(12,035)	16,462
	(56,994)	(39,451)	41,918	37,399
Share of operating loss and net assets of joint ventures	(196)	(75)	377	207
Net interest receivable	3,444	3,736	-	-
Interest bearing assets	-	-	46,617	103,688
	(53,746)	(35,790)	88,912	141,294

¹ The UK losses for both 2000 and 2001 include central technical development and maintenance costs and the expenses related to the Group management functions, which are not apportioned across the Group's operating businesses.

² Net loss on ordinary activities before taxation for 2001 includes £14,660,000 of goodwill amortisation (2000:nil). Net assets include £43,992,000 of goodwill for 2001 (2000:£58,636,000).

Notes to the financial statements at 30 September 2001

3 Group operating loss

This is stated after charging/(crediting):

	Year ended 30 September 2001 £'000	Year ended 30 September 2000 £'000
Auditors' remuneration ¹ – audit services	135	172
– non-audit services	257	141
Advertising expenditure	10,280	8,979
Depreciation	8,744	1,317
Goodwill amortisation	14,660	–
Operating lease rentals – land and buildings	1,491	522
– other	82	–
Profit on sale of fixed assets	(26)	–
Non-cash share-based compensation:		
Product development	230	1,374
Sales and marketing	669	1,604
General and administration	282	1,604
	1,181	4,582
Provision for Group National Insurance contributions in relation to non-cash share-based compensation:		
Product development	(110)	26
Sales and marketing	(322)	31
General and administration	(136)	31
	(568)	88

Operating costs comprise the administrative expenses of the Group.

¹ In the year ended 30 September 2000 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 Degriktour Group. The total of these fees amounted to £930,000.

4 Staff costs (including Executive Directors)

	Year ended 30 September 2001 £'000	Year ended 30 September 2000 £'000
Wages and salaries	21,364	8,770
Social security costs	3,297	1,154
Pension contributions	613	60
Non-cash share-based compensation	1,181	4,582
Group National Insurance contributions on share options	(568)	88
	25,887	14,654

Details for each Director of remuneration, compensation for loss of office, pension entitlements and interests in share options are set out in the Remuneration report on pages 22 to 24.

The principal Group defined contribution pension scheme is available to UK 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.

Notes to the financial statements at 30 September 2001

4 Staff costs (including Executive Directors) continued

In France there are various elements to the pension arrangements. Firstly, most employees benefit from a government provided retirement plan, the costs of which are included within social security costs. In addition, a number of employees receive retirement benefits through a defined contribution pension plan. Certain senior executives are also members of a separate defined contribution pension plan to which the Group contributes.

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 is based on 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 vest over three years, the difference is being taken to the profit and loss account as an operating expense on a straight-line basis over the vesting period.

The average monthly number of employees, including Executive Directors during the year comprised:

	Year ended 30 September 2001 Number	Year ended 30 September 2000 Number
Product development	100	44
Sales and marketing	436	182
General and administration	123	81
	659	307

5 Interest receivable

	Year ended 30 September 2001 £'000	Year ended 30 September 2000 £'000
Bank interest	3,480	3,777

6 Interest payable and similar charges

	Year ended 30 September 2001 £'000	Year ended 30 September 2000 £'000
Bank charges	36	41

7 Loss attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £7,078,000 (2000: loss of £1,173,000).

8 Tax on loss on ordinary activities

	Year ended 30 September 2001 £'000	Year ended 30 September 2000 £'000
UK corporation tax	-	-
Overseas corporation tax credit	(158)	-

As a result of the loss for the year ended 30 September 2001, no corporation tax charge arose. At 30 September 2001 the Group has tax losses of approximately £59.7 million (2000: £31.9 million) available to carry forward without expiry and offset against future trading profits.

The Group also has an unprovided deferred tax asset relating to accelerated capital allowances of £1.1 million at 30 September 2001 (2000: deferred tax liability £1.8 million).

Notes to the financial statements at 30 September 2001

9 Appropriations

During the years ended 30 September 2001 and 2000, there were no appropriations through dividends, which is consistent with the intentions of the Group as set out in the Listing Particulars relating to lastminute.com plc dated 1 March 2000.

10 Loss per share (basic and diluted)

	Year ended 30 September 2001 £'000	Restated Year ended 30 September 2000 £'000
Loss used for calculation of loss per share	(53,588)	(35,790)
	Number	Number
Weighted average number of ordinary shares in issue adjusted for the effects of the 284 for one bonus issue on 15 February 2000, for the calculation of loss per share	170,137,039	98,347,405

Securities that could potentially dilute basic earnings per share in the future include share options and warrants.

11 Intangible fixed assets

Group	Total £'000
Goodwill	
Cost	
At 1 October 2000	58,636
Acquisition of subsidiary undertaking (note 13)	16
At 30 September 2001	58,652
Amortisation	
At 1 October 2000	–
Charged during the year	14,660
At 30 September 2001	14,660
Net book value	
At 30 September 2001	43,992
At September 2000	58,636

During the prior year goodwill arose on the acquisition of the Degriktour Group and is being amortised evenly over the Directors' estimate of its useful economic life of four years.

During the current year goodwill arose on the acquisition of Urbanbite Limited. This is also being amortised evenly over the Directors' estimate of its useful economic life of four years.

Notes to the financial statements at 30 September 2001

12 Tangible fixed assets

Group

	Leasehold improvements £'000	Furniture and office equipment £'000	Computer systems and equipment £'000	Computer software £'000	Total £'000
Cost					
At 1 October 2000	830	2,159	4,631	7,702	15,322
Additions	71	322	1,329	6,672	8,394
Disposals	–	(222)	(352)	–	(574)
Acquisition of subsidiary (note 13)	–	11	15	69	95
At 30 September 2001	901	2,270	5,623	14,443	23,237
Depreciation					
At 1 October 2000	69	175	703	403	1,350
Provided during the year	185	691	2,213	5,655	8,744
Disposals	–	(161)	(352)	–	(513)
At 30 September 2001	254	705	2,564	6,058	9,581
Net book value					
At 30 September 2001	647	1,565	3,059	8,385	13,656
At 30 September 2000	761	1,984	3,928	7,299	13,972

The Group did not have any material capital commitments outstanding at the year end.

13 Investments

Group

Joint Ventures

	Total £'000
Share of net assets	
At 1 October 2000 – as restated	207
Additions during the year	377
Share of loss retained by joint ventures	(196)
Exchange loss taken to reserves	(11)
At 30 September 2001	377

Lastminute Network S.L.

On 1 September 2001 the Group entered into a joint venture agreement with Sol Meliá Travel S.A. in relation to its Spanish entity. The joint venture was established by Sol Meliá Travel S.A. subscribing for an interest of 70% in Lastminute Network S.L. for €429,000 in cash. Lastminute Network S.L. was previously a 100% trading subsidiary of the Group.

The Group now holds 30% of the share capital of the Spanish company and its investment in the company is treated as a joint venture because the board control is split between the investing entities. Both parties have the power of veto over any major decision.

The net assets of the subsidiary prior to the deemed disposal were €184,000. No profit or loss arose on the transaction. For the 11 month period to 31 August 2001 Lastminute Network S.L. incurred £1.2 million of the Group loss for the year ended 30 September 2001, utilised £1.0 million of the Group's operating cash flows and £0.1 million in respect of capital expenditure.

lastminute.com Australia (Pty) Limited and lastminute.com (Pty) Limited

The Group also has joint ventures with Travel.com.au Limited in Australia and Tourvest Holdings (Proprietary) Limited in South Africa. The joint venture companies are, respectively, lastminute.com Australia (Pty) Limited and lastminute.com (Pty) Limited. During the year, following the granting of local regulatory approval, our South African joint venture was incorporated and commenced trading.

Notes to the financial statements at 30 September 2001

13 Investments continued

Although the Group only holds 25.1% of the share capital of the Australian and South African joint venture entities, its investments in the entities are treated as joint ventures because board control is split between the respective investing entities. Both parties have the power of veto over any major decision. As purchase consideration for its share of the ordinary share capital of the joint venture entities, lastminute.com entered into two contractual agreements with each joint venture partner. The first committed to providing technical know-how and support in the set-up and continued service of the joint venture entities' websites. The second allows for use of the Group's licensed trademark in the geographical areas in which the joint venture companies operate. In each joint venture, our joint venture partner's subscription for share capital consisted of an undertaking to pay cash to the joint venture. In accounting for the South African joint venture the Group has followed the requirements of UITF abstract 31 – Exchanges of businesses or non-monetary assets for an interest in a subsidiary, joint venture or associate, and has assessed an unrealised gain of £202,000.

The Australian joint venture was first accounted for in the financial statements for the year ended 30 September 2000, prior to the publication of the abstract. The cost of the assets given up by the Group was nil, therefore giving rise to a carrying value of the investment of nil. The assets contributed by our joint venture partner, however, gave rise to a share of net assets of the joint venture in the Group's financial statements of £288,000, which was offset by an equivalent amount of negative goodwill.

In order to enable comparability in the financial statements, the Directors wish to have the Australian, South African and any future joint ventures involving the exchange of businesses or other non-monetary assets accounted for on the same basis. As a result, the Australian joint venture has been restated in the prior year financial statements as if it had always been accounted for under UITF abstract 31.

As a result, the carrying value of this joint venture in the prior year has been increased by £246,000, and accruals have been increased by £62,000 for the estimated costs of supporting the continued service of the website and the loss for the year ended 30 September 2000 has been increased by £42,000 being the reversal of the amortisation of the negative goodwill that was credited in the prior year. An unrealised gain of £226,000 arose on the establishment of the joint venture under UITF abstract 31 and has been included in the prior year consolidated statement of total recognised gains and losses. The effect on the current year financial statements is to increase the loss for the year by £72,000 as the amortisation of negative goodwill no longer arises.

Company

	Total £'000
Subsidiary undertakings	
Cost	
At 1 October 2000	1,370
Additions	57
At 30 September 2001	1,427
At 30 September 2000	1,370

Notes to the financial statements at 30 September 2001

13 Investments continued

Subsidiary and joint ventures of the Group are as follows, these being held by Group companies unless indicated:

Name of company	Country of registration or incorporation	Principal activity	Ordinary shares held (%)
Investments in subsidiaries			
Last Minute Network Limited*	England and Wales	Marketer	100
Lastminute.com GmbH	Germany	Marketer	100
Lastminute AB	Sweden	Marketer	100
Last Minute Network S.A.R.L.	France	Marketer	99
Revalfi S.A.	France	Marketer	100
Voyages Sur Mesures S.A.	France	Marketer	100
Activnet S.A.R.L.	France	Marketer	100
Lastminute Travel AB	Sweden	Non Trading	100
Lastminute.com BV	Netherlands	Marketer	100
Lastminute.com s.r.l	Italy	Marketer	99
Last Minute s.p.r.l	Belgium	Non Trading	100
Last Minute Network Limited	Ireland	Non Trading	50
Last Minute A/S	Norway	Non Trading	100
Last Minute A/S	Denmark	Non Trading	100
Lastminute.com Japan Limited	Japan	Non Trading	50
Urbanbite Limited*	England and Wales	Marketer	100
Urbanbite BV	Netherlands	Marketer	100
Investments in joint ventures			
Lastminute.com (Australia) Pty Limited	Australia	Marketer	25.1
Lastminute.com (Pty) Limited	South Africa	Marketer	25.1
Lastminute Network S.L.	Spain	Marketer	30

* directly held by lastminute.com plc

Acquisitions

On 13 July 2001 the Group acquired Urbanbite Limited for a consideration which was satisfied by the issue of 442,151 new ordinary shares at 33.9p each by lastminute.com plc. Goodwill arising on the acquisition has been capitalised and is being amortised over four years. The investment has been included in the Group balance sheet using the acquisition method of accounting at its fair value at 13 July 2001. The Directors do not consider this to be a material acquisition.

14 Stocks

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Entertainment tickets held for resale	40	52	-	-

There is no material difference between the replacement costs of stocks and their balance sheet amounts.

15 Debtors

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Trade debtors	4,557	2,827	-	-
Other debtors	4,804	5,980	-	-
Amounts owed by Group undertakings	-	-	118,604	116,786
Prepayments and accrued income	1,812	1,736	-	-
	11,173	10,543	118,604	116,786

Notes to the financial statements at 30 September 2001

16 Creditors: amounts falling due within one year

	Group 2001 £'000	Restated Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Trade creditors	12,421	10,250	-	-
Other taxes and social security costs	1,157	1,788	-	-
Other creditors	1,796	331	-	-
Consideration payable in relation to acquisition of subsidiary undertaking	6,185	21,350	-	-
Accruals and deferred income	4,841	4,644	-	-
	26,400	38,363	-	-

17 Creditors: amounts falling due after more than one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Deferred consideration for purchase of a subsidiary undertaking	-	6,031	-	-

18 Operating lease commitments

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

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Operating leases for land and buildings which expire:				
Within one year	305	-	-	-
In two to five years	854	2,771	-	-
Over five years	319	-	-	-
Other operating leases which expire:				
Within one year	153	-	-	-
In two to five years	109	-	-	-

19 Provisions for liabilities and charges

	National Insurance on granted options £'000	Onerous contract £'000	Other £'000	Total £'000
At 1 October 2000	688	452	270	1,410
Provided during the year	33	-	267	300
Utilised during the year	(94)	(148)	(161)	(403)
Released during the year	(601)	-	(163)	(764)
At 30 September 2001	26	304	213	543

The Group provides for National Insurance contributions on options granted. A provision is made at a rate of 12.2% over the vesting period of the options 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. This provision is utilised as options are exercised.

A provision is recognised for an onerous lease contract in the Degriftour Group, and is based on the future charges of the lease over the remaining one and a half years of the lease.

Other includes the provision for award minutes which are expected to be utilised over a period of three years.

Notes to the financial statements at 30 September 2001

20 Financial instruments

The Group's financial instruments comprise trade and other debtors, trade and other creditors, accruals, deferred consideration in relation to the purchase of the Degrifour Group, cash and short term deposits and forward currency exchange contracts.

As permitted by FRS 13, Derivatives and Other Financial Instruments: Disclosures, 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 30 September 2001.

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

No interest is payable in relation to the financial liability which has arisen as a result of deferring payment for the acquisition of the Degrifour 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 21 March 2000, the Company completed an initial public offering of Ordinary Shares. Consequently the Group's policy is to hold cash in appropriate short term funds to enable it to finance its operations and expansion.

Currency risk: structural

As a result of the significant investment in its French subsidiaries, the Group's balance sheet could be significantly affected by movements in the Euro/Sterling exchange rate. The Group has not sought to hedge against this structural currency risk due to the reasonably 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 apart from in the Degrifour Group, where US Dollar exposures may be hedged in accordance with Degrifour's exchange rate policy as stated elsewhere in this note.

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

	Total cash at floating rates £'000
At 30 September 2001	
Sterling	32,098
US Dollars	1,162
Euro	13,199
Swedish Krona	131
Australian Dollars	27
	46,617
At 30 September 2000	
Sterling	72,439
US Dollars	2,676
Euro	28,493
Swedish Krona	80
	103,688

Notes to the financial statements at 30 September 2001

20 Financial instruments continued

Interest rate profile of financial liabilities:

	Financial liabilities on which no interest is paid £'000
At 30 September 2001	
Euro	101
At 30 September 2000	
Euro	6,335

The weighted average period of the financial liabilities for the year ended 30 September 2001 is 1.3 years (2000: 1.1 years).

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.

	Sterling £'000	Euro £'000	US Dollar £'000	Swedish Krona £'000	Australian Dollar £'000	Total £'000
At 30 September 2001						
Functional currency of Group operations						
Sterling	–	7,252	1,162	65	27	8,506
At 30 September 2000						
Functional currency of Group operations						
Sterling	–	27,119	2,676	2	–	29,797

Fair values of financial assets and financial liabilities

	Book value £'000	Fair value £'000
At 30 September 2001		
Cash	46,617	46,617
Onerous lease contract	(101)	(101)
Forward foreign currency contracts	–	(4)

	Book value £'000	Fair value £'000
At 30 September 2000		
Cash	103,688	103,688
Deferred consideration payable	(6,031)	(6,031)
Onerous lease contract	(304)	(304)

Hedges

The Degriktour Group's policy is to hedge against transactional currency exposure on significant US Dollar 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 movements thereon, are as follows:

	Losses £'000
Unrecognised losses on hedges at 30 September 2001	4
Of which:	
Losses expected to be recognised in the year to 30 September 2002	4

Notes to the financial statements at 30 September 2001

21 Share capital

The authorised, issued, allotted and fully paid up share capital of the Company and the Group, including a reconciliation of these, at 30 September 2001 and at 30 September 2000 is as follows:

	Authorised	Issued, allotted and fully paid	Authorised	Issued, allotted and fully paid
	Number of shares	Number of shares	Nominal value £'000	Nominal value £'000
Ordinary shares of 1p each				
At 30 September 2000	10,053,660,000	150,574,229	100,537	1,505
Share options exercised	–	2,661,801	–	27
Consideration for acquisition of Degriftour	–	19,700,000	–	197
Consideration for acquisition of Urbanbite	–	442,151	–	4
At 30 September 2001	10,053,660,000	173,378,181	100,537	1,733

During the year the Company issued 2,661,801 ordinary shares following the exercise of options under the various share option schemes operated by the Company. In addition 19,700,000 ordinary shares were issued in October 2000 as consideration for the acquisition of Degriftour and 442,151 ordinary shares in respect of the acquisition of Urbanbite Limited.

Outstanding options under the Company's various share schemes at 30 September 2001 were 19,822,711 shares (2000: 16,792,539 shares). These options, which vest over a three year period, are exercisable at various dates between 2001 and 2011 at various exercise prices between 2.31p and 218p per share, and at an average weighted exercise price of 43.85p per share.

Warrants

On 31 January 2000 and 14 February 2000 the Group executed performance-based warrant instruments pursuant to which the Group may grant warrants to acquire up to 5,544,675 and 5,543,250 ordinary shares to each of Lufthansa and Virgin Atlantic Airways respectively. The granting of warrants, at the end of five six-month measuring periods commencing on 1 January 2000 and 1 March 2000 respectively, was dependent upon specified levels of ticket sales being achieved for each period through the Group's website. Each warrant will be exercisable at a price of 37p per share during a 60-day period commencing three years after the date of the grant. The Group may terminate the warrant instruments in certain circumstances if the relevant airline fails to meet minimum levels of sales in the first two measuring periods.

As at 30 September 2001 the Group had not granted any warrants under either warrant instrument.

Notes to the financial statements at 30 September 2001

22 Reconciliation of shareholders' funds and movement on reserves

Group	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Other reserves £'000	Merger reserve £'000	Shares to be issued £'000	Total shareholders' funds 2001 £'000	Restated total shareholders' funds 2000 £'000
At 1 October as previously stated	1,505	112,923	(40,464)	5,203	61,746	197	141,110	2,563
Prior year adjustment	-	-	184	-	-	-	184	-
As restated	1,505	112,923	(40,280)	5,203	61,746	197	141,294	2,563
Loss for the year	-	-	(53,588)	-	-	-	(53,588)	(35,790)
Foreign currency translation differences	-	-	(414)	-	-	-	(414)	22
Gain arising on the establishment of joint venture	-	-	202	-	-	-	202	226
Consideration in relation to purchase of:								
Degriffour Group	197	-	-	-	-	(197)	-	27,383
Urbanbite Limited	4	-	-	-	146	-	150	-
Shares issued	-	-	-	-	-	-	-	142,246
Shares issued as options	27	162	-	-	-	-	189	15
Other	-	(102)	-	-	-	-	(102)	47
Share-based compensation	-	-	-	1,181	-	-	1,181	4,582
At 30 September	1,733	112,983	(94,080)	6,384	61,892	-	88,912	141,294

The Group and Company have taken advantage of the relief provided by Section 131 of the Companies Act 1985 from setting up a share premium account for the shares issued in respect of the acquisition of Last Minute Network Limited and those in respect of the acquisition of the Degriffour Group and Urbanbite Limited.

Company	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Other reserves £'000	Shares to be issued £'000	Total shareholders' funds 2001 £'000	Total shareholders' funds 2000 £'000
At 1 October	1,505	112,923	(1,672)	5,203	197	118,156	3
Consideration in relation to purchase of:							
Degriffour Group	197	-	-	-	(197)	-	197
Urbanbite Limited	4	-	-	-	-	4	-
Profit for the year	-	-	7,078	-	-	7,078	(1,713)
Share-based compensation	-	-	-	1,181	-	1,181	5,244
Shares issued	-	-	-	-	-	-	114,410
Shares issued as options	27	162	-	-	-	189	15
Other	-	(102)	-	-	-	(102)	-
At 30 September	1,733	112,983	5,406	6,384	-	126,506	118,156

Notes to the financial statements at 30 September 2001

23 Notes to the statement of cash flows

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

	Year ended 30 September 2001 £'000	Year ended 30 September 2000 £'000
Operating loss	(56,994)	(39,451)
Depreciation	8,744	1,317
Amortisation of goodwill	14,660	–
Increase in debtors	(451)	(5,732)
Decrease/(increase) in stocks	12	(51)
Increase in creditors	3,155	4,686
(Decrease)/increase in provisions	(867)	290
Foreign exchange losses	(493)	(293)
Share-based compensation	1,181	4,582
Profit on sale of fixed assets	(26)	–
Net cash outflow from operating activities	(31,079)	(34,652)

(b) Analysis of net cash position

	At 1 October 2000 £'000	Cash flow £'000	Exchange differences £'000	At 30 September 2001 £'000
Cash at bank	101,141	(58,718)	145	42,568
Short term deposits ¹	2,547	1,502	–	4,049
	103,688	(57,216)	145	46,617

¹ Short term deposits are included with cash at bank and in hand in the balance sheet.

(c) Liquid resources

Liquid resources comprise money held by the Group's bankers on short term deposits totalling £4.0 million. £2.1 million of this is held as a financial guarantee for the Group to comply with the Civil Aviation Authority's terms and conditions on an Air Travel Organiser's Licence and £1.3 million in relation to IATA.

24 Commitments and contingencies

The Group had a number of guarantees on behalf of its subsidiary undertakings, which totalled £4.0 million at 30 September 2001. The amount comprises principally of £2.1 million which has been made as a guarantee to the Civil Aviation Authority in relation to meeting obligations in respect of its Air Travel Organiser's Licence and £1.3 million to IATA.

25 Related party transactions

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

26 Post balance sheet event

On 22 October 2001 the guarantee in respect of the Air Travel Organiser's Licence was reduced by £2.0 million to £0.1 million.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of lastminute.com plc will be held at Westminster Theatre, 12 Palace Street, London SW1E 5JF on 14 February 2002 at 10:00a.m. for the following purposes:

Ordinary business

- 1 To receive and adopt the Company's financial statements and the reports of the Directors and Auditors for the year ended 30 September 2001.
- 2 To re-appoint David Howell as a Director of the Company.
- 3 To re-appoint Ernst & Young LLP as Auditors of the Company to hold office until the conclusion of the next General Meeting at which financial statements are laid before the Company and to authorise the Directors to fix the remuneration of the Auditors.

Special Business

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution.

- 4 That:
 - (a) the lastminute.com plc Share Savings Scheme (the "Scheme"), the main features of which are summarised in the Memorandum to Shareholders attached to this Notice of Annual General Meeting and a copy of which is produced to the meeting and initialled by the Chairman for the purpose of identification, be and is hereby approved and the Directors be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to carry the Scheme into effect;
 - (b) the Directors be and are hereby authorised to add such schedules to the Scheme or to establish other employee share schemes based on the Scheme, to take account of local tax, exchange controls or securities laws outside the UK, provided that any shares issued under such schedules or other schemes shall be treated as counting against the individual and overall limits on participation contained in the Scheme;
 - (c) the Directors be and are hereby authorised to vote, and be counted in the quorum, on any matter connected with the Scheme and any schedules added thereto or similar schemes established for overseas employees, notwithstanding that they may be interested in the same (except that no Director may be counted in a quorum or vote in respect of his own participation) and any prohibition on voting by interested Directors contained in the Articles of Association of the Company be and is hereby disapplied accordingly;
 - (d) the Directors be and are hereby authorised to amend the rules of the 1998 Unapproved Executive Share Option Scheme, the 1999 Unapproved Executive Share Option Scheme, the lastminute.com 2000 Unapproved Executive Share Option Scheme, the lastminute.com 2000 Approved Executive Share Option Scheme and the lastminute.com Non-Executive Share Option Scheme 2000 so that the number of shares over which options to subscribe may be granted under those schemes after 14 March 2000, when aggregated with options granted in that period under other share option schemes established by the Company (but in all cases ignoring options which lapse) shall not exceed 10% of the Company's issued share capital from time to time (or 5% of such capital taking account only of options granted under those schemes other than where the grants are made on any occasion either to the majority of those eligible to participate or on a similar basis to such grants to new recruits are taken into account).

Note: The Rules of the proposed lastminute.com Share Savings Scheme will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and Public Holidays excluded) from the date of this Notice to the date of the Annual General Meeting and will be available for inspection at the Annual General Meeting itself and for a period of 15 minutes before it commences.

Registered office:

4 Buckingham Gate
London SW1E 6JP

By order of the Board



Simon A. Watkins

Secretary
8 January 2002

Notice of Meeting

Notes:

- 1 A shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
- 2 A form of proxy is enclosed with this document for use in connection with the meeting to which this notice relates and any adjournment thereof. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.
- 3 To be effective the instrument appointing a proxy, and any letter or power of attorney under which it is executed (or a duly certified copy of any such letter or power of attorney), must (failing previous registration with the Company) be received at the offices of the Company's registrars, Capita IRG plc (Proxies), PO Box 25, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting or any adjournment thereof or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
- 4 The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders entered on the Company's register of members at the close of business on 11 February 2002, or, if the meeting is adjourned, on the Company's register of members 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Company's register of members after the close of business on 11 February 2002, or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Annual General Meeting – Memorandum to Shareholders

Resolution 2: Re-appointment of Director

The Company's Articles of Association require David Howell to retire at the conclusion of the Meeting as he has been appointed a Director since the last General Meeting of the Company. Resolution 2 proposes his re-appointment as a Director.

Resolution 4: Adoption of new Share Savings Scheme and change to share option scheme limits

This resolution will be proposed as an ordinary resolution. The resolution is proposed to enable the Remuneration Committee of the Board to implement new share incentive arrangements, including a new Share Saving Scheme. These new share incentive arrangements are outlined in the Remuneration Report on page 22 to 24. A summary of the proposed Share Saving Scheme is as follows:

General

The Company intends to obtain Inland Revenue approval of the Scheme under the Income and Corporation Taxes Act 1988. The operation of the Scheme will be supervised by the Remuneration Committee of the Board of Directors ("the Committee").

Eligibility

All UK resident employees of the Company and participating subsidiaries (including directors who are required to work at least 25 hours a week) will be eligible to participate. The Board may amend the eligibility conditions (within the limits set by the relevant legislation).

Grant of Options

Invitations to apply for options to acquire ordinary shares may be issued within six weeks following Inland Revenue approval of the Scheme and, thereafter, in the six weeks following the announcement by the Company of its results for any period, as well as at any other time if the Board considers that there are exceptional circumstances. No invitations may be issued later than ten years after the adoption of the Scheme. Options may only be granted to employees who enter into Inland Revenue approved savings contracts, under which monthly savings are made over a period of three or five years.

The number of ordinary shares over which an option is granted will be such that the total amount payable on its exercise will correspond to the proceeds on maturity of the related savings contract. An option will be personal to the optionholder and may not be transferred by him/her.

Individual Participation

Monthly savings by an employee under all savings contracts linked to options granted under any savings related share option scheme may not exceed the statutory maximum (currently £250).

Acquisition Price

The price per ordinary share payable upon the exercise of options will not be less than the higher of:

- (a) 80% of the average of the middle-market quotations of an ordinary share on the London Stock Exchange on four dealing days within the period of 30 days (or 42 days, if applications are scaled down) ending with the date of grant of options (or such other day or days as may be agreed with the Inland Revenue), provided that no such days may fall before the Company last announced its results for any period; and
- (b) the nominal value of an ordinary share (except to the extent the Board is authorised to capitalise reserves or the option relates solely to existing ordinary shares).

Limit on Subscription

Not more than 10% of the issued ordinary share capital of the Company may be subscribed on the exercise of options granted since 14 March 2000 under the Scheme or any other share option scheme adopted by the Company or issued over that period under any other type of employees' share scheme adopted by the Company.

A similar 5% limit will apply to "executive" options i.e. those granted under the Company's other share option schemes other than where the grants are made on any occasion either to the majority of those eligible to participate in those schemes or on a similar basis to such grants to new recruits.

Exercise of Options

Options will normally be exercisable only for six months from the third, fifth, or seventh anniversary of the commencement of the related savings contracts. Earlier exercise is permitted following cessation of employment in specified compassionate circumstances, or if an employee reaches age 60. Options will otherwise lapse on cessation of employment. Early exercise is also permitted in the event of a takeover, amalgamation, reconstruction or winding-up of the Company.

Rights attaching to Ordinary Shares

All ordinary shares allotted under the Scheme will rank equally with all other ordinary shares of the Company for the time being in issue (except as regards any rights attaching to such shares by reference to a record date prior to the date of allotment).

Annual General Meeting – Memorandum to Shareholders continued

Pensionability

Benefits received under the Scheme will not be pensionable.

Variation of Capital

In the event of any variation of the Company's share capital, the Board may make such adjustments as it considers appropriate to the number of ordinary shares subject to options and the price payable on the exercise of options.

Alterations

The Board may at any time alter the Scheme in any respect, subject to the prior approval of shareholders for alterations to the advantage of participants to the rules governing eligibility, the individual limit on participation, the overall limit on the issue of ordinary shares, the terms of options, the rights attaching to ordinary shares acquired on the exercise of options, the adjustment of options in the event of a variation of capital and the amendment of the Scheme. The requirement to obtain prior shareholder approval will not, however, apply to any minor alteration to benefit the administration of the Scheme, or to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control, or regulatory treatment for participants or a lastminute.com group company.

Recommendation and action to be taken

The Board is unanimous in their view that the adoption of the Resolutions set out in the Notice of Meeting on pages 44 to 45 are in the best interests of the Company and its Shareholders. Accordingly, the Board recommends that you vote in favour of the Resolutions set out in the Notice of Meeting and as explained in this Memorandum. Each Director intends to vote in favour of these Resolutions in respect of their own beneficial holdings of 26,273,597 Ordinary Shares, representing 15.2% of the issued ordinary share capital of lastminute.com.

You will find enclosed with this document a Form of Proxy. You are asked to complete this form and return it to Capita IRG plc (Proxies), PO Box 25, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, in order to be valid so as to arrive no later than 10:00 a.m. on 12 February 2002. Completion and return of the Form of Proxy will not prevent you from attending and voting at the Meeting in person should you so wish. Attached to the Form of Proxy is your admission card to the Annual General Meeting. Please detach and retain the admission card and bring it with you to the Annual General Meeting if you wish to attend and vote in person. I look forward to welcoming those shareholders who wish to attend.



Allan Leighton
Chairman
8 January 2002

Definitions

Registered subscribers are users of the lastminute.com web site who have submitted their e-mail addresses and other data and have elected to receive lastminute.com's weekly e-mail. This does not include users who register with the Company, but elect not to receive its weekly e-mails. Since lastminute.com counts its registered subscribers based on their e-mail addresses, users who register multiple times using different e-mail addresses will count as multiple registered subscribers. For example, if a user has registered with lastminute.com using an e-mail address at work and one at home, the user will be counted as two registered subscribers.

Total transaction value does not represent statutory turnover. In the majority of transactions, where lastminute.com acts as agent or cash collector, total transaction value represents the price at which products or services have been sold, net of value added tax and associated taxes. In other cases, for example the reservation of restaurant tables, a flat fee is earned, irrespective of the value of products or services 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 or services are sold across the web site, net of value added tax and associated taxes. **Order based total transaction value** represents **total transaction value** calculated with reference to booking date rather than departure date, the latter being the basis for lastminute.com's stated accounting policy when accounting for **total transaction value**.

In the majority of cases, lastminute.com 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. In a limited number of cases, lastminute.com acts as principal and purchases the products or services for resale. Where lastminute.com acts as principal, turnover represents the price at which the products or services are sold across the web site or the Company's various electronic platforms. 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 and associated taxes. Additional revenue streams (e.g. sponsorship) also contribute to turnover.

Gross margin is defined as gross profit over total transaction value.

Operating cash outflow is defined as net cash outflow before management of liquid resources, financing and acquisitions.

Conversion is defined as the **number of customers** over the number of **registered subscribers** (excluding those applicable to joint ventures).

The **number of customers** is the cumulative number of customers (excluding repeat customers) since the inception of lastminute.com and the cumulative number of Degriffour's customers (excluding repeat customers) since 1 October 2000. Customers are defined as individuals who have purchased goods and services over lastminute.com's platforms.

An **item sold** is an individually priced product or service purchased by a customer within the period.

The **number of suppliers** includes individual airlines, hotels, holiday package suppliers, entertainment vendors, gift suppliers, restaurants and speciality service suppliers.

This Annual Report may contain forward-looking statements. Expressions of future goals, including without limitation, "intend", "will", "should", "are well on track", "expect" or "continue", and similar expressions reflecting something other than historical fact are intended to identify forward looking statements. The following factors, among others, could cause lastminute.com's actual results to differ materially from those described in the forward looking statements: management of lastminute.com's rapid growth; introduction of new architecture for its websites; systems-related failures; the ability to attract and retain qualified personnel; adverse changes in lastminute.com's relationships with airlines and other product and service providers; potential adverse changes in its commission rates; the effects of increased competition; lastminute.com's dependence on its ability to establish its brand; lastminute.com's ability to protect its domain names and other intellectual property rights; legal and regulatory risks; and unforeseen events affecting the travel industry. All such forward-looking statements are made in reliance on the safe harbour provision of the US Private Securities Litigation Reform Act of 1995. These and other risk factors are described in detail in lastminute.com's shareholder circular dated 8 September 2000, which has been filed with the Securities and Exchange Commission, USA and the London Stock Exchange, UK.

Shareholder information

Registered Office

4 Buckingham Gate
London
SW1E 6JP
Company number 3852152

Registrar

Our Registrar should be contacted to advise change of address and also for any enquiries relating to lost share certificates or other enquiries relating to share registration. They can be contacted at:

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0870 162 3100 (if calling from the UK)
+44 20 8639 2157 (if calling from outside the UK)
Fax: +44 (0) 20 8639 2403
email: ssd@capita-irg.com

Further information is also available at <http://www.capita-irg.com>

American Depositary Receipts (ADR's)

The Company has a sponsored ADR programme for which JP Morgan act as Depositary. Each ADR represents 5 ordinary shares of the Company. For enquiries, JP Morgan can be contacted at:

Morgan ADR Service Center
PO Box 842006
Boston
MA 02284-2006
USA

Tel: +1 781 575 4328
Toll free (for US residents only): +1 800 428 4237

Further information is also available at <http://www.adr.com>

Website

Additional shareholder information including press releases can be found on the Group's Investor Relations website at www.lastminute.com/ir.

4 Buckingham Gate
London SW1E 6JP

tel (0)20 7802 4200

fax (0)20 7802 9300

lastminute.com plc