

annual review and summary  
financial statement 2001

**lastminute.com**

# **lastminute.com** provides inspiration and solutions for all occasions

## **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**

## **Operating in:**

**UK  
France  
Germany**

**Italy  
Sweden  
Netherlands**

## **Joint ventures in:**

**Australia  
South Africa  
Spain**

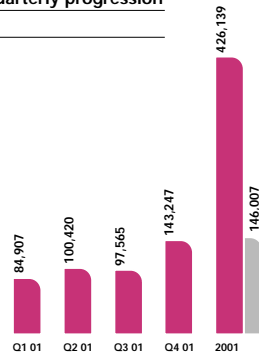
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## Chairman's statement

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.

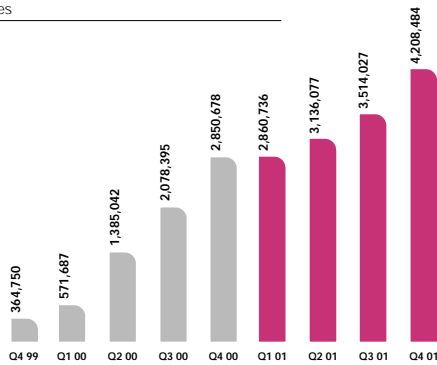
During the year work continued on the development of the brand across a number of markets. lastminute.com has received extremely positive ratings in its European markets from independent research companies over the year. In June 2001, Jupiter MMXI reported that the Group was the only company to appear 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.

## Chairman's statement continued

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



### Integration of Degriftour

The acquisition of Degriftour was announced at the end of the previous financial year. During the intervening period lastminute.com France and Degriftour 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 Philpon, 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.

### 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 Degriftour, 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.

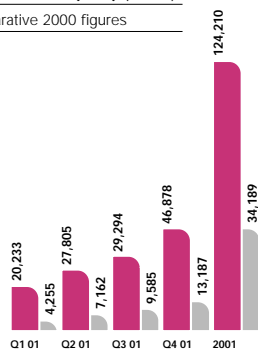
**Allan Leighton**  
Chairman  
23 November 2001

## 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.

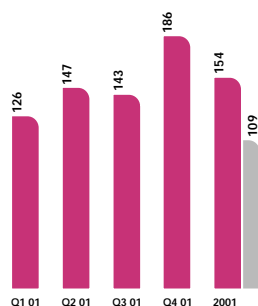
**Departure based total transaction value (TTV) (£'000)**

■ 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 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 DegriFour 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

## 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 Degriktour (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.



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 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

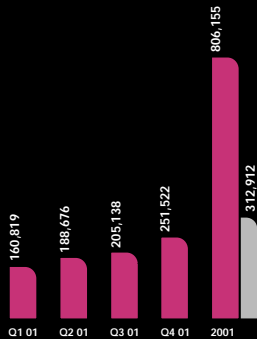
Registered customers have the ability to customise their personal homepage ("mylastminute.com") using technology that stores personal preferences and prompts the display of products and services that are relevant to an individual's needs and lifestyle. In October 2001 the alliance announced with Microsoft 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

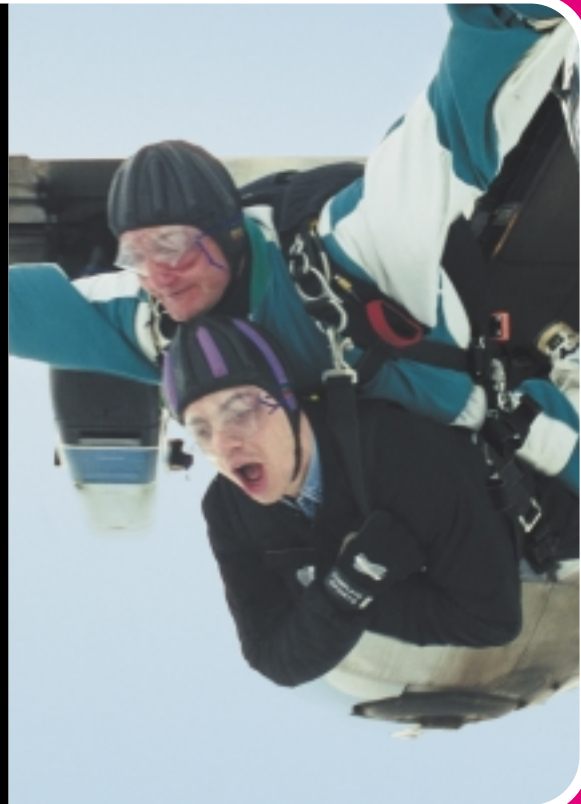
**lastminute.com has increased the number of items sold by 2.6 times across all categories during the year**



Items sold

■ Comparative 2000 figures

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.



**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
Degriktour	4	2.1
Germany	3	2.6
Italy	2	2.7
Spain	4	2.0
<b>Europe*</b>	<b>2</b>	<b>2.8</b>

\* 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.



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.

### 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

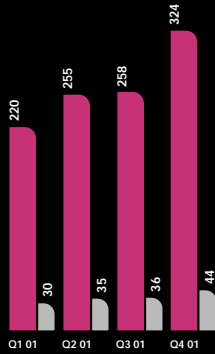
and we now have relationships with a number of the major tour operators in Europe, including Club Med and Thomas Cook, as well as a host of small and medium-sized operators that provide more exclusive city break and holiday products.

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.

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



**TTV and gross profit per shopping basket (£)**

■ TTV ■ Gross profit

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



**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

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 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.

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.

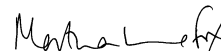
We will also make more progress on unifying our technology platforms so that all sites run on a single system, enabling us to further reduce technology spend and achieve a greater return on our investments.

### 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**  
Chief Executive Officer  
23 November 2001

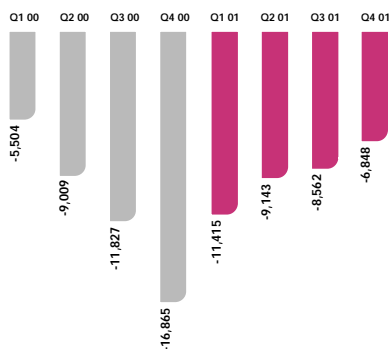


**Martha Lane Fox**  
Group Managing Director

## Financial review

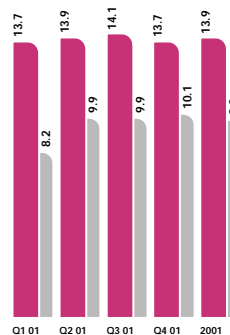
We have successfully reduced the operating cash outflow during each Quarter of 2001. Quarter 4 2001 operating cash outflow is 59.4% less than that in Quarter 4 2000.

Operating cash outflow (£'000)



Percentage gross margin

■ Comparative 2000 figures



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 Degriфтour 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.

## Financial review continued

### 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 Degriftour 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 Degriftour 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

#### 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 \*\*

#### 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, Kiala 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

## Summary financial statement

### Summary Directors' report

The full Directors' report is set out on pages 18 and 19 of the Group's annual report.

#### Principal activities

The principal activities and review for the year are contained on pages 1 to 10.

#### 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

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

#### Directors and their interests

The names of the Directors at the date of this report, together with their biographical details, are set out on page 11. The interests of Directors in the ordinary shares of the Company are given in the summary Remuneration report on pages 12 to 14. 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.

### Summary Remuneration report

The Remuneration Committee is responsible for developing policy on remuneration for Executive Directors and senior management. 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. No Director is involved in deciding his or her own remuneration.

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. The main components of the remuneration package are:

#### 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.

#### 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 page 19.

#### By order of the Board



#### Simon A. Watkins

Secretary  
23 November 2001

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.

## Summary Remuneration report continued

The Committee has reviewed the Group's share incentive arrangements and is proposing to introduce a new share savings scheme. 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 20 to 21.

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.

### 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 £
<b>Executive Directors:</b>						
Brent Hoberman	150,000	21,000	–	2,295	<b>173,295</b>	136,180
Martha Lane Fox	118,500	16,590	–	2,499	<b>137,589</b>	114,431
David Howell	35,000	4,900	–	65	<b>39,965</b>	–
Pierre Alzon <sup>1</sup>	99,882	10,618	27,551 <sup>2</sup>	–	<b>138,051</b>	–
<b>Non-Executive Directors:</b>						
Bob Collier	6,000	–	–	–	<b>6,000</b>	6,000
Pieter Bouw	500	–	–	–	<b>500</b>	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.

<sup>1</sup>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.

<sup>2</sup>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.

### 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.

## Summary 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 <sup>1</sup>	25,738,065	25,738,065
Martha Lane Fox	10,207,879	10,182,425
Allan Leighton	197,273	–
Linda Fayne Levinson <sup>2</sup>	13,371,280	13,371,280

<sup>1</sup>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.

<sup>2</sup>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	Number	Number	Number	
<b>Executive Directors:</b>					
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
<b>Non-Executive Directors:</b>					
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.

## Summary financial statement

This summary financial statement which comprises the summary Directors' report on page 12, the summary Remuneration report on pages 12 to 14 and the financial information on pages 16 to 18, is a summary of the information in the annual report and financial statements of lastminute.com plc. It does not contain sufficient information to allow a full understanding of the results of the Group and state of affairs of the Company or of the Group.

For further information, the full annual report and financial statements and the report of the auditors on those financial statements should be consulted. Copies of the full annual report for the year ended 30 September 2001 are available, free of charge, from the Group Company Secretary, lastminute.com plc, 4 Buckingham Gate, London, SW1E 6JP.

The auditors have reported on the full financial statements, their report was not qualified and did not contain statements under section 237(2) or 237(3) of the Companies Act 1985.

## Auditors' statement to the shareholders of lastminute.com plc

We have examined the summary financial statement on pages 12 to 18.

### Respective responsibilities of Directors and auditors

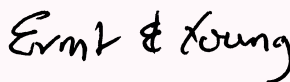
The Directors are responsible for preparing the Annual Review and summary financial statement. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review with the full financial statements and Directors' report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

### Basis of opinion

We conducted our examination in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board.

### Opinion

In our opinion the summary financial statement is consistent with the full financial statements and Directors' report of lastminute.com plc for the year ended 30 September 2001 and complies with the applicable requirements of section 251 of the Companies Act 1985 and regulations made thereunder.



**Ernst & Young LLP**  
Registered Auditor  
London  
23 November 2001

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

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

The above results all arise from continuing operations.

<sup>1</sup> See footnote 1 on page 17.

<sup>2</sup> 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

	Year ended 30 September 2001 £'000	Restated <sup>1</sup> 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	(196)	(75)
Gain on the establishment of joint ventures	202	226
Foreign currency translation difference	(414)	22
<b>Total recognised gains and losses for the year</b>	<b>(53,800)</b>	(35,542)
Prior year adjustment <sup>1</sup>	184	–
<b>Total gains and losses recognised since last annual report</b>	<b>(53,616)</b>	(35,542)

<sup>1</sup> See footnote 1 on page 17.

## Balance sheets at 30 September 2001

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

<sup>1</sup> 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.

This summary financial statement was 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

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

<sup>1</sup>Relates to consideration on the acquisition of the Degriftour Group.

## Reconciliation of cash flow to movement in net funds

	Year ended 30 September 2001 £'000	Year ended 30 September 2000 £'000
<b>Movement in cash</b>	<b>(58,573)</b>	<b>96,892</b>
Cash outflow from short term deposits	1,502	2,547
	<b>(57,071)</b>	<b>99,439</b>
Net funds at the beginning of the year	<b>103,688</b>	<b>4,249</b>
<b>Net funds at the end of the year</b>	<b>46,617</b>	<b>103,688</b>

## 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 continued

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 pages 12 to 14. 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).

## Annual General Meeting – Memorandum to Shareholders continued

### 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).

### 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 page 19 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.

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.

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

## Shareholder information

### 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](mailto: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 <http://www.lastminute.com/ir>.

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