

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000.**

**If you have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.**

Applications have been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading. It is expected that Admission will become effective, and that dealings will commence in the Placing Shares on 31 March 2003 and the Consideration Shares on 17 April 2003.

Cazenove & Co. Ltd are acting exclusively for lastminute.com plc and no one else in connection with the Acquisition and the Placing and will not be responsible to anyone other than lastminute.com plc for providing the protections afforded to customers of Cazenove & Co. Ltd or for providing advice in connection with the Acquisition or the Placing.

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**lastminute.com**

## **Acquisition of holiday autos and Notice of Extraordinary General Meeting**

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Your attention is drawn to the letter from the Chairman of lastminute.com plc set out on pages 5 to 10 of this document which recommends that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting.

Notice of an Extraordinary General Meeting is set out at the end of this document. A Form of Proxy for use at the Extraordinary General Meeting accompanies this document. Forms of Proxy should be completed, signed and returned to Capita Registrars, by post to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to arrive by no later than 10.00 a.m. on 14 April 2003.

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### Expected Timetable of Principal Events

Dealings in Placing Shares expected to commence	Monday 31 March 2003
Latest date for receipt of forms of proxy for the lastminute.com Extraordinary General Meeting	10.00 a.m. on Monday 14 April 2003
lastminute.com Extraordinary General Meeting	10.00 a.m. on Wednesday 16 April 2003
Expected Completion	Thursday 17 April 2003
Dealings in Consideration Shares expected to commence	8.00 a.m. on Thursday 17 April 2003

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## Definitions

The following definitions are used throughout this document except where the context requires otherwise:

“Act”	the Companies Act 1985 (as amended)
“Acquisition”	the proposed acquisition of holiday autos by lastminute.com pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 26 March 2003, between lastminute.com and the existing shareholders of holiday autos and lastminute.com Jersey in respect of the acquisition the whole of the issued share capital of holiday autos by lastminute.com Group as described in paragraph 5 of Part IV of this document
“Admission”	admission to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange of the New Ordinary Shares becoming effective by the decision of the UK Listing Authority to admit such shares to listing being announced in accordance with paragraph 7.1 of the Listing Rules and by the decision of the London Stock Exchange to admit such shares to trading being announced in accordance with the LSE Admission Standards
“Articles”	the articles of association of the Company
“Business Day”	any day on which leading banks in the London inter-banking sterling markets are open for business in the City of London
“Capita Registrars”	is a trading name of Capita IRG Plc
“Cazenove”	Cazenove & Co. Ltd
“certificated” or “certificated form”	a share or other security, which is not in uncertificated form (that is not in CREST)
“Completion”	the completion of the Acquisition in accordance with the terms of the Acquisition Agreement
“Company”	lastminute.com plc
“Consideration Shares”	27,191,771 Ordinary Shares to be issued by the Company pursuant to the Acquisition Agreement
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo. Limited is the Operator (as defined in the Regulations)
“CRESTCo”	CRESTCo Limited
“Daily Official List”	the Daily Official List of the London Stock Exchange
“Directors” or “Board”	the Directors of lastminute.com as set out on page 38 of this document, or a duly authorised committee thereof
“Enlarged Group”	the lastminute.com Group as enlarged by the Acquisition
“Extraordinary General Meeting”	the extraordinary general meeting of the Company which will be held at the offices of Cazenove, 20 Moorgate, London EC2R 6DA at 10.00 a.m. on 16 April 2003, notice of which is set out at the end of this document
“Financial Services and Markets Act”	the Financial Services and Markets Act 2000
“Form of Proxy”	the form of proxy enclosed with this document for use in connection with the Extraordinary General Meeting
“holiday autos”	holiday autos group limited
“holiday autos Share”	any share representing any part of the entire issued and to be issued share capital of holiday autos
“holiday autos Shareholders”	holders of holiday autos “B” and “C” ordinary shares
“holiday hotels”	holiday hotels limited

“lastminute.com”	lastminute.com plc
“lastminute.com Group” or “Group”	lastminute.com, its subsidiaries and its subsidiary undertakings
“lastminute.com Jersey”	lastminute.com Jersey Limited, a company set up to facilitate the Placing
“lastminute.com Shareholders”	holders of lastminute.com Ordinary Shares
“Listing Rules”	the listing rules made by the UK Listing Authority under Section 74 of the Financial Services and Markets Act 2000
“London Stock Exchange”	the London Stock Exchange plc
“LSE Admission Standards”	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirement for, securities admitted to the Official List
“New Ordinary Shares”	42,006,586 Ordinary Shares to be issued by the Company pursuant to the Acquisition Agreement (excluding any Ordinary Shares issued in satisfaction of any deferred consideration) and the Placing Agreements
“Official List”	the list maintained by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of lastminute.com
“Placing”	the placing of Placing Shares on the terms and subject to the conditions set out in the Placing Agreements
“Placing Agreements”	the agreement dated 26 March 2003 between the Company and Cazenove entered into in connection with the Placing and certain arrangements ancillary thereto as described in paragraph 5 of Part IV of this document
“Placing Shares”	14,814,815 Ordinary Shares issued in connection with the Placing Agreements
“Proposed Director”	Mr Clive Jacobs, who will become a director of lastminute.com subject to, and upon, Completion
“Regulations”	the Uncertificated Securities Regulations 2001
“Resolution”	the ordinary resolution set out in the notice of Extraordinary General Meeting at the end of this document
“uncertificated” or “in uncertificated form”	a share or other security title to which is recorded on the relevant Operator register of securities as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“TTV”	total transaction value. In the case of lastminute.com, in the majority of transactions, TTV represents the price at which products or services have been sold, net of value added tax and associated taxes. In the case of holiday autos, TTV represents statutory turnover
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority as the competent authority for listing in the United Kingdom under Part VI of the Financial Services and Markets Act 2000
“United States of America”, “US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdictions

For the purpose of this document “subsidiary”, “subsidiary undertaking” and “parent undertaking” have the respective meanings given to them by the Act.

Figures appearing in this document have been rounded up or down as appropriate.

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**Part I**

**Letter from the Chairman**

# **lastminute.com plc**

*(incorporated in England and Wales with registered number 3852152)*

Allan Leighton *Chairman*  
Brent Hoberman *Chief Executive Officer*  
Martha Lane Fox *Group Managing Director*  
David Howell *Chief Financial Officer*  
Vimal Khosla *Director, Global Flights*  
Bob Collier *Non-Executive Director and Vice Chairman*  
Brian Collie *Non-Executive Director*

*Registered Office*  
4 Buckingham Gate  
London SW1E 6JP

27 March 2003

Dear Shareholder,

## **Acquisition of holiday autos**

### **1. Introduction**

On 26 March 2003, lastminute.com announced its intention to acquire holiday autos. The initial consideration for holiday autos is £39.7 million which will be satisfied by the issue of 27,191,771 Consideration Shares and £16.0 million in cash.

The Company has put in place arrangements to finance the cash component of the consideration, in part, by an issue of 14,184,185 Placing Shares at 81 pence per share fully underwritten by Cazenove & Co. Ltd. The remaining proportion of the cash consideration of £4.0 million will be provided from lastminute.com's existing cash resources.

Deferred consideration of up to £1.7 million will be payable subject to certain criteria relating to holiday autos in respect of the level of TTV achieved in the year to 31 October 2003. Additionally £1.6 million deferred consideration is payable to Clive Jacobs provided he remains with the Group until 17 March 2004.

The Acquisition is conditional on the Admission of the New Ordinary Shares, the Placing Agreements becoming unconditional in all respects and, due to its size, approval by lastminute.com Shareholders at the Extraordinary General Meeting, to be held at the offices of Cazenove, 20 Moorgate, London EC2R 6DA at 10.00 a.m. on 16 April 2003.

Certain lastminute.com Shareholders, holding an aggregate 13.4 per cent. of the issued share capital, have given irrevocable undertakings to vote in favour of the Acquisition at the Extraordinary General Meeting.

### **2. Background to and reasons for the Acquisition**

lastminute.com is an online travel and leisure group which has expanded in Europe via organic and acquisitive growth since inception. The Company operates directly in eight European countries and participates in four international joint ventures, providing inspirations and solutions for customers at the last minute. At 31 December 2002 lastminute.com had over 6.8 million subscribers to its weekly newsletter and had established approximately 14,700 supplier relationships. lastminute.com remains the leading independent travel and leisure site across five European countries.

The business is based on the idea of matching supply and demand. lastminute.com offers consumers opportunities to acquire airline tickets, hotel rooms, package holidays, entertainment tickets, restaurant reservations and food delivery, speciality services, gifts and auctions in the United Kingdom, France, Germany, Italy, Sweden, the Netherlands, Spain, Belgium, Australia, New Zealand, South Africa and Japan.

During 2002 lastminute.com has consolidated its position as the leading European online provider of travel and leisure solutions by a number of acquisitions and a strategic investment.

In Europe lastminute.com completed the acquisition of Travelprice.com at the end of July 2002. This acquisition extended lastminute.com's markets to include Belgium as well as deepening its presence in France, Italy and Spain. Additionally, in June 2002, lastminute.com completed an investment in LCC24.com. LCC24.com is the online vehicle for Lufthansa City Center (LCC), the largest independent offline travel agency in Germany, operating in approximately 400 travel agencies, with a turnover of in excess of €1.6 billion annually. LCC have committed to convert 5 per cent. of their annual sales to online booking. lastminute.com provides the website technology for LCC24.com.

In the UK lastminute.com completed the acquisitions of Travelselect.com, the Destination Group and eXhilaration in April, June and November 2002 respectively. These acquisitions add substantially to the overall scale of the travel and leisure components of lastminute.com UK.

Overall, the acquisitions and joint ventures have further consolidated lastminute.com's position in the online travel and leisure markets and extended its reach to 12 countries.

An important factor in enhancing lastminute.com's value to customers is the expansion of its product range in all categories. This development has been assisted by the implementation of the Global Product Lines structure which, over the past year, has deepened relationships with existing suppliers and added key new suppliers to lastminute.com's offering. The enhancement of multiple relationships has been achieved via lastminute.com's acquisitions in Europe – with Travelselect.com extending access to a further 27 key airline relationships, Destination Group extending lastminute.com's relationships with hoteliers and car-hire suppliers and Travelprice.com expanding supplier reach in Europe. lastminute.com is able to provide suppliers with a “tool-kit” of options for selling product at the last minute – through lastminute.com's weekly email or special merchandising promotions, through their search functionality and through auctions. lastminute.com believes these mechanisms allow suppliers to achieve the best possible yield for their products. As the Group's position in Europe has consolidated, their supply relationships have become more substantial allowing the Group to offer better value to customers.

### **3. Information on holiday autos**

holiday autos is the largest leisure car rental broker in the world providing approximately 7 million car rental days to customers annually in around 40 countries. Gross margins are in excess of 30 per cent. on sales.

holiday autos maintains the same brand identity in each of its sales markets and has key supplier relationships with major car rental companies. holiday autos has a strong management team operating locally in principal countries.

There are a number of trends in the leisure travel market that are positive for companies such as holiday autos, including:

- the number of holidays taken per person is growing;
- there is a shift away from customers purchasing pre-packaged holidays to customers organising their own travel; and
- technological developments, particularly with regard to the internet, make it easier for people to organise independent holidays.

These factors all create more opportunities where car hire may be necessary or desirable and by using a car rental broker customers perceive that they are getting best value.

The holiday autos group was founded in the UK in 1987. The business achieved a turnover of approximately £1 million in its first year of trading and turnover has continued to grow to £154 million for the year ended 31 October 2002. As a broker, holiday autos do not own a fleet of vehicles but simply match supply and demand through supply agreements with car rental operators in approximately 4,000 locations worldwide. holiday autos supplies both retail customers directly and trade customers, such as airlines, tour operators and travel agents. During the year ended 31 October 2002, 19 per cent. of sales were made direct to retail customers and 81 per cent. to trade customers.

Following the early success of the business in the UK, a decision was made in 1988 to expand first into Europe and then globally. The approach taken by the business to international expansion has varied from market to market to take into account local practices and today the company operates through a mix of corporate offices, joint ventures, and sales agents. During 2002, the UK was the largest sales market for holiday autos representing 49 per cent. of holiday autos's sales. Germany was the next largest market with 30 per cent. of sales.

Approximately 70 per cent. of all car hire bookings taken by holiday autos are for destinations in major European countries.

In July 2002, the holiday autos management team launched holiday hotels. holiday hotels provides a selection of hotels and apartments at resorts and cities throughout Europe and America. holiday hotels choose from accommodation across a range from 2\* to 5\* and has negotiated advantageous rates in order to offer the best value to their customers.

As holiday hotels was independently owned during its start-up stage, the holiday autos financial statements set out in Part II do not include amounts relating to holiday hotels. On 21 November 2002, holiday autos acquired 49.9 per cent. of the issued share capital of holiday hotels together with a call option over a further 30.1 per cent. It is intended that holiday autos will exercise this call option immediately prior to Completion.

holiday autos TTV has increased steadily over the three years to 31 October 2002 with TTV in the most recent year of £154 million. The company has reduced costs and introduced efficiencies within its business by increasing the level of sales completed online. In its largest market, the UK, over 60 per cent. of all sales are now completed online. Consequently, gross margins have improved over the most recent financial year to 32.4 per cent. and EBITDA, before exceptional items, in 2002 of £2.5 million was achieved. In line with other travel businesses, car hire is markedly seasonal with a significant weighting of TTV to the second half of the year. Net liabilities attributable to holiday autos were £18.6 million as at 31 October 2002.

Summary financial information on holiday autos for the past 3 years is as follows. This has been extracted without material adjustment from the financial information on holiday autos set out in Part II of this document. Shareholders should read the whole of this document and not just rely on this summary information.

	<i>Year to 31 October</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Total transaction value (continuing)</b>	153,755	147,491	125,738
Gross profit	49,852	45,183	40,884
Gross margin percentage	32.4%	30.6%	32.5%
<b>EBITDA (before exceptional items)</b>	2,549	(2,308)	195
Exceptional items	(1,090)	—	(455)
<b>Loss on ordinary activities before tax</b>	(949)	(4,341)	(1,995)

#### **4. Benefits of the combined business**

It is expected that the Acquisition will be earnings enhancing in the current financial year.

As a single product, the Board believes that car hire is a logical extension to lastminute.com's travel and leisure offering and will provide an enhanced product offering to customers. The Acquisition of holiday autos immediately enhances the scale of the Group's car hire category. The Acquisition will result in enhanced average margins even before the attainment of synergies. In 2002, holiday autos' gross margins were in excess of 30 per cent. and lastminute.com's over 13 per cent., producing a combined margin in excess of 20 per cent. The Acquisition will create critical mass in the German operations for the combined group.

In addition, the Board believes that the Acquisition will enable lastminute.com to include significant car hire supply within *Breakbuilder*, its integrated dynamic packaging product launched in November 2002 and will provide lastminute.com customers with a unique offering unavailable within any other online packaging service. Currently *Breakbuilder* enables UK customers to book a flight and hotel in the same shopping basket for a single price. Sales within *Breakbuilder* have started well and the Board anticipates that growth will continue rapidly during the course of the current financial year. lastminute.com has stated an intention to extend the geographic availability of *Breakbuilder* to other European countries and also to extend the product range to include other categories including car hire, entertainment, experiences and restaurants.

The Board believes that the combination of lastminute.com and holiday autos creates an opportunity to leverage the scale of the two businesses and to provide estimated margin and operating synergies of at least £4.0 million in the financial year to 30 September 2004. To achieve these synergies, one off exceptional integration costs of approximately £1.5 million are anticipated. These costs are expected to be recognised in the current year to 30 September 2003.

Synergies are expected in the following areas:

- lastminute.com expects to be able to utilise holiday autos' supplier relationships to enhance the margin on its own car hire product. holiday autos currently achieves margins in this category of over 30 per cent. compared with approximately 20 per cent. achieved by lastminute.com;
- various operating units and functions, particularly in the UK and Germany will be integrated with savings being achieved through the elimination of duplicate functions; and
- the increased scale and size of the enlarged group will lead to procurement synergies.

In addition significant cross sale opportunities are expected from the respective customer bases, with lastminute.com driving holiday autos customers to lastminute.com's multi category websites and lastminute.com customers to holiday autos' car rental website. The resort hotel product offered by holiday hotels will also complement lastminute.com's more city focussed hotel supply.

## **5. Management and Employees**

Subject to completion of the Acquisition, the Board proposes to appoint Clive Jacobs, Chairman and Chief Executive and one of the founders of the holiday autos group, as Executive Director and Vice Chairman of lastminute.com. Set out below is a brief biography for Clive Jacobs:

Clive Jacobs left school at 16 becoming Managing Director of his own flight company at the age of 21. In 1987, Clive Jacobs and two colleagues founded the holiday autos group and in 1995 he bought out the then chairman and co-founder of holiday autos, with the assistance of venture capitalists ECI. In 1997, he was awarded the World Travel Market Global Award for his outstanding contribution to the UK travel industry and in 1999, he was a guest speaker at the prestigious IoD Annual Convention having been voted Director of the Year by PWC and Decision magazine. He is a well known figure within the travel industry which was publicly recognised in 2000 when he was presented with a World Travel Market 21 award, an award given to 21 individuals who have been instrumental in bringing pioneering changes within the travel industry over the previous 21 years. In July 2002, he diversified his business interests with the launch of holiday hotels in conjunction with the holiday autos management team.

Following acquisition, the business needs of holiday autos within the enlarged group will be reviewed to establish the most appropriate structure for the future and any changes will be undertaken after necessary staff consultations.

## **6. Current trading and prospects**

lastminute.com continues to trade in line with expectations for the seasonally weaker first half of the financial year. In the UK sales of short haul flights have achieved record levels in recent weeks. Sales of shortbreak holidays continue in line with expectations. In continental Europe the uncertain political climate has created a more difficult trading environment. The Directors remain confident of continuing business growth and moving further towards overall group profitability and positive operating cashflow.

holiday autos has made an encouraging start to the new financial year, trading ahead of the comparable period last year and in line with internal forecasts. The company continues to show growth in its direct retail web business, providing an effective lower cost distribution channel, and at the same time supporting the valuable trade business.

Despite the uncertain political and economic environment, the Enlarged Group's business model allows us to anticipate 2003 being another year of sustained and improving performance. The Directors believe the hostilities in the Middle East will, in general, have a negative effect on the global travel industry. The precise impact these hostilities will have on lastminute.com's enlarged business is uncertain, although the Directors believe that any negative effect would be mitigated to some extent by the following factors:

- The majority of the Enlarged Group's current travel products are short haul in nature. If required the flexibility of the business model of the Enlarged Group would accommodate a further shift to even more short haul travel;
- The Directors believe that although a substantial fall in demand for travel related products may reduce the number of products sold industry-wide, the Company's business model is designed to take advantage of resulting overcapacity; and
- The Directors believe that demand for travel outside the US from US based residents would fall in the event of increased hostilities. These US travellers make up a relatively small proportion of lastminute.com's business and therefore the overall impact on the Enlarged Group would be relatively low.

lastminute.com expects to announce its results for the half year to 31 March 2003 on 15 May 2003.

## **7. Terms of the Acquisition and Placing**

The initial consideration for the Acquisition is £39.7 million based on the closing middle market price of lastminute.com's Ordinary Shares as derived from the Daily Official List on 25 March 2003, being the last date before the announcement of the Acquisition.

The initial consideration will be satisfied by the issue of 27,191,771 Consideration Shares and £16.0 million in cash.

The cash component is to be financed, in part, by the issue of 14,814,815 Placing Shares at a price of 81 pence per share to raise a total of £12.0 million underwritten by Cazenove. The New Ordinary Shares issued in connection with the Placing and Acquisition will be allotted and issued credited as fully paid and will rank pari passu in all respects with the existing Ordinary Shares. The remaining proportion of the cash consideration of £4.0 million will be provided from lastminute.com's existing cash resources.

Deferred consideration of up to £1.7 million will be payable subject to certain performance criteria relating to holiday autos in respect of the level of TTV achieved in the year to 31 October 2003. To obtain the maximum level of this deferred consideration, holiday autos would need to deliver growth in TTV of over 10 per cent. of the level obtained in the year to 31 October 2002. Additionally £1.6 million of deferred consideration is payable to Clive Jacobs provided he remains with the Group until 17 March 2004. Both elements of the deferred consideration may be satisfied by the issue of new Ordinary Shares or cash at lastminute.com's discretion.

holiday autos Shareholders, who will hold approximately 71 per cent. of the Consideration Shares (including all of the shares to be received by Clive Jacobs), have agreed not to dispose of their Consideration Shares for a period of 12 months from Completion. holiday autos Shareholders, who will hold approximately 23 per cent. of the Consideration Shares have agreed not to dispose of their Consideration shares for a period of 6 months from Completion.

If the Acquisition does not proceed then the Company will hold the proceeds from the Placing on deposit and use these proceeds to continue to expand lastminute.com in line with the Company's strategic expansion plan.

Further details of the Acquisition Agreements and Placing Agreements are set out in paragraph 5 of Part IV of this document.

## **8. New Ordinary Shares**

On Completion, the Consideration Shares will be issued to holiday autos Shareholders and will be transferable by an instrument of transfer complying with the Articles, or in any other written form approved by the Directors. The New Ordinary Shares may be transferred in uncertificated form, pursuant to the relevant procedures for transfer in accordance with CREST.

The existing Ordinary Shares are listed on the London Stock Exchange. Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange. It is expected that Admission will become effective and that dealings in the Placing Shares will commence on the London Stock Exchange on 31 March 2003. It is expected that Admission will become effective and that dealings in the Consideration Shares will commence on the London Stock Exchange on 17 April 2003. Dealings in the New Ordinary Shares will be for normal settlement.

Pending issue of definitive certificates for New Ordinary Shares issued in certificated form, transfers will be certified against the register held by Capita Registrars. No temporary documents of title in respect of the New Ordinary Shares will be issued.

The New Ordinary Shares will rank *pari passu* in all respects with existing Ordinary Shares, including the right to receive all dividends and distributions hereafter declared, made or paid.

Fractions of New Ordinary Shares will not be allotted or issued.

The New Ordinary Shares will not be available to the public in conjunction with the application for listing. None of the New Ordinary Shares have been marketed or are available in whole or in part to the public.

Listing Particulars in relation to the New Ordinary Shares will be published shortly on the lastminute.com investor relations website and will be available on request, free of charge, from the offices of lastminute.com, 4 Buckingham Gate, London SW1E 6JP and from the offices of Herbert Smith, Exchange House, Primrose Street, London EC2A 2HS up to 16 April 2003, the date of the Extraordinary General Meeting.

### **9. Extraordinary General Meeting**

An Extraordinary General Meeting to consider and, if thought fit, approve the Acquisition is being convened to be held at the offices of Cazenove, 20 Moorgate, London EC2R 6DA on 16 April 2003 at 10.00 a.m.

Set out at the end of this document is the notice convening the Extraordinary General Meeting.

### **10. Action to be taken**

You are urged to complete the enclosed Form of Proxy in accordance with the instructions printed thereon and return it as soon as possible but in any event so as to be received by no later than 10.00 a.m. on 14 April 2003 by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Completion and return of a Form of Proxy will not prevent you from attending the Extraordinary General Meeting and voting in person if you so wish.

### **11. Further information**

Your attention is drawn to the additional information set out in Parts II to IV of this document.

### **12. Recommendation**

The Directors have received financial advice from Cazenove in relation to the Acquisition. In giving its financial advice, Cazenove has relied on the Directors' commercial assessment of the Acquisition and the issue of the Consideration Shares.

The Directors consider the Acquisition including the issue of the Consideration Shares to be in the best interests of shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolution to be proposed at the EGM to approve the Acquisition, as they intend to do in respect of their own beneficial holdings amounting to 32,731,020 Ordinary Shares, representing 13.4 per cent. of the issued share capital of the Company.

Yours faithfully,

**Allan Leighton**  
**Chairman**

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## Part II

### Financial Information on the holiday autos group



Becket House  
1 Lambeth Palace Road  
London  
SE1 7EU  
27 March 2003

The Directors and Proposed Director  
lastminute.com plc  
4 Buckingham Gate  
London  
SW1E 6JP

Cazenove & Co. Ltd  
12 Tokenhouse Yard  
London  
EC2R 7AN

Dear Sirs

#### **Introduction**

We report on the financial information prepared in connection with the proposed acquisition by lastminute.com plc of holiday autos group limited and its subsidiary undertakings (“the holiday autos group” or “Group”) referred to in the circular dated 27 March 2003 (“the circular”) of lastminute.com plc.

#### **Basis of preparation**

The consolidated financial information set out below in respect of the three years ended 31 October 2002 is based on the audited financial statements of the holiday autos group for the three years ended 31 October 2002 (together “the financial statements”), after making such adjustments as we considered necessary.

#### **Responsibility**

The financial statements of the holiday autos group are the responsibility of the directors of holiday autos group who approved their issue.

The Directors and the Proposed Director of lastminute.com plc are responsible for the contents of the circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements of holiday autos group. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the holiday autos group, consistently applied and adequately disclosed. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

**Opinion**

In our opinion, the financial information gives, for the purposes of the circular, a true and fair view of the state of affairs of the holiday autos group as at the dates stated and of its profits and losses, cash flows and recognised gains and losses for the periods then ended.

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		<i>Year ended</i> <i>31 October</i> <i>2002</i> <i>£'000</i>	<i>Year ended</i> <i>31 October</i> <i>2001</i> <i>£'000</i>	<i>Year ended</i> <i>31 October</i> <i>2000</i> <i>£'000</i>
<b>Total transaction value (TTV)</b>				
– Continuing	1,2	153,755	147,491	125,738
– Discontinued	1,2	—	5,819	10,414
	1,2	153,755	153,310	136,152
<b>Turnover</b>				
Group and share of joint ventures	1,2	153,755	153,310	136,152
Less share of joint ventures		(1,648)	(952)	(560)
		152,107	152,358	135,592
<b>Continuing operations:</b>				
– Ongoing		152,107	146,539	125,178
– Discontinued		—	5,819	10,414
<b>Group turnover</b>		152,107	152,358	135,592
Cost of sales		(102,255)	(107,175)	(94,708)
<b>Gross profit</b>		49,852	45,183	40,884
<b>Other income</b>		92	409	1,640
<b>Operating costs</b>				
Sales and marketing		(32,035)	(26,015)	(21,073)
General and administration		(15,360)	(21,885)	(21,256)
<b>Operating costs before depreciation, amortisation and exceptional items</b>		(47,395)	(47,900)	(42,329)
<b>EBITDA (before exceptional items)</b>		2,549	(2,308)	195
Depreciation	3	(1,851)	(1,400)	(1,025)
Goodwill amortisation	3	(29)	(219)	(282)
Operating exceptional items	4	(1,090)	—	(455)
<b>Total operating costs</b>		(50,365)	(49,519)	(44,091)
<b>Operating loss</b>		(421)	(3,927)	(1,567)
Share of operating profit in joint ventures	11	178	70	9
<b>Total operating loss: group and share of joint ventures</b>		(243)	(3,857)	(1,558)
– Profit on sale of discontinued operations	24	—	70	—
– Profit/(loss) on disposal of fixed assets	10	8	(152)	—
<b>Loss on ordinary activities before interest and taxation</b>		(235)	(3,939)	(1,558)
Interest receivable	5	47	191	101
Interest payable and similar charges	5	(761)	(593)	(538)
<b>Loss on ordinary activities before taxation</b>		(949)	(4,341)	(1,995)
Tax on loss on ordinary activities	7	(748)	(408)	(252)
<b>Loss on ordinary activities after taxation</b>		(1,697)	(4,749)	(2,247)
Dividends	8	(416)	(416)	(416)
<b>Loss for the financial year and transfer from reserves</b>		(2,113)	(5,165)	(2,663)

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

There is no material difference between the historical cost profit and the profit for the three years ended 31 October 2002 as shown in the Consolidated Profit And Loss Account.

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
Loss for the year excluding share of profits in joint venture	(2,291)	(5,235)	(2,672)
Share of joint venture's profit for the year	178	70	9
Loss attributable to shareholders	(2,113)	(5,165)	(2,663)
Exchange differences on translation of net assets	(47)	85	(282)
Other appropriation added back	106	—	—
<b>Total recognised loss for the year</b>	<b>(2,054)</b>	<b>(5,080)</b>	<b>(2,945)</b>

**CONSOLIDATED BALANCE SHEETS**

		<i>At</i> <i>31 October</i> <i>2002</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2001</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2000</i> <i>£'000</i>
<b>Fixed assets</b>				
Intangible assets	9	456	481	5,159
Tangible fixed assets	10	7,706	7,023	3,550
Investments – joint venture	11	224	68	9
		<u>8,386</u>	<u>7,572</u>	<u>8,718</u>
<b>Current assets</b>				
Debtors	12	13,743	10,360	9,301
Cash at bank and in hand		1,284	3,465	5,539
		<u>15,027</u>	<u>13,825</u>	<u>14,840</u>
<b>Creditors: amounts falling due within one year</b>	13	(41,756)	(37,875)	(34,650)
<b>Net current liabilities</b>		<u>(26,729)</u>	<u>(24,050)</u>	<u>(19,810)</u>
<b>Total assets less current liabilities</b>		(18,343)	(16,478)	(11,092)
<b>Creditors: amounts falling due after more than one year</b>	14	(238)	(52)	(406)
<b>Provisions for liabilities and charges</b>	7	(51)	(48)	—
<b>Net liabilities</b>		<u>(18,632)</u>	<u>(16,578)</u>	<u>(11,498)</u>
<b>Capital and reserves</b>				
Called up share capital	17,18	61	61	61
Share premium	18	102	102	102
Merger reserve	18	245	245	245
Profit and loss account	18	(19,040)	(16,986)	(11,906)
<b>Deficit on shareholders' funds</b>		<u>(18,632)</u>	<u>(16,578)</u>	<u>(11,498)</u>
The amount of shareholders' funds attributable to equity and non-equity interests are as follows:				
Equity		(18,790)	(16,630)	(11,550)
Non-equity		158	52	52
		<u>(18,632)</u>	<u>(16,578)</u>	<u>(11,498)</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
<b>Cashflow from operating activities</b>				
Net cashflow continuing activities	23(a)	2,294	2,932	3,595
Net cashflow discontinued activities	23(a)	—	(2,779)	(1,499)
<b>Net cash inflow from operating activities</b>		<u>2,294</u>	<u>153</u>	<u>2,096</u>
<b>Returns on investments and servicing of finance</b>				
Interest received		66	178	81
Interest paid		(768)	(565)	(530)
Interest element of hire purchase and finance lease payments		(7)	(14)	(34)
Dividends paid on non-equity shares		(105)	(211)	(211)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(814)</u>	<u>(612)</u>	<u>(694)</u>
<b>Taxation</b>				
Corporation tax (paid)/received		(142)	(4)	256
Overseas tax paid		(710)	(225)	(189)
<b>Net cash (outflow)/inflow from taxation</b>		<u>(852)</u>	<u>(229)</u>	<u>67</u>
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		(2,585)	(5,233)	(2,046)
Sale of tangible fixed assets		134	114	156
Disposal of Kemwel assets	24	—	4,742	—
<b>Net cash outflow from capital expenditure</b>		<u>(2,451)</u>	<u>(377)</u>	<u>(1,890)</u>
<b>Equity dividends paid</b>		(205)	(205)	(205)
<b>Financing</b>				
Redemption of loans		—	(595)	—
Capital element of hire purchase and finance lease payments		(79)	(145)	(290)
<b>Net cash outflow from financing</b>		<u>(79)</u>	<u>(740)</u>	<u>(290)</u>
<b>Decrease in cash in the year</b>	23(b)	<u><u>(2,107)</u></u>	<u><u>(2,010)</u></u>	<u><u>(916)</u></u>

## NOTES TO THE FINANCIAL INFORMATION

### 1 Accounting policies

#### Basis of preparation

The consolidated financial information for the holiday autos group in respect of the three years ended 31 October 2002 is based on the audited financial statements of the holiday autos group for the three years then ended (together “the financial statements”) after making such adjustments as considered necessary, including accounting policy alignment with the lastminute.com Group.

The most significant adjustment relates to the spreading of a prior year adjustment reflected in the audited financial statements for the year ended 31 October 2002 to the correct accounting period. In the financial statements, the holiday autos directors have reconsidered their accounting policy with regard to the recognition of supplier costs and volume discounts, as the underlying assumptions upon which recognition was made are now considered to be inappropriate. The total impact of these adjustments was to increase the operating loss before tax for 2001 by £5.2 million, increase the operating loss before tax for 2000 by £2.1 million, and to reduce the opening reserves for 2000 by £0.5 million.

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

The adoption of Financial Reporting Standard 19 – Deferred Tax has resulted in a change in accounting policy for deferred tax, and a restatement of prior periods.

#### Basis of consolidation

The financial information consolidates the results of the Company and all its subsidiary undertakings, drawn up to 31 October 2002. The results of the businesses acquired or disposed of, are included for the period that they were under the Group’s control.

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.

#### Total Transaction Value (“TTV”) and Turnover

TTV and Turnover represents the amounts invoiced for vehicle hire and ancillary services. TTV has been included to reflect the financial reporting practices of the lastminute.com group.

TTV and Turnover is recognised at the date of departure, and is stated exclusive of VAT and associated taxes.

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only when their recovery is considered more likely than not and that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted. Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable. Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse.

#### Foreign currency translation

UK 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. All exchange differences are taken to the profit and loss account.

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.

### **Financial instruments**

The Group uses a limited number of derivative financial instruments to hedge its exposures to fluctuations in foreign exchange rates. Instruments are used to hedge a committed or probable future transaction and are not recognised until the transaction occurs. The Group's policy is not 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.

### **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:

Short leasehold land and buildings	Over period of lease
Motor vehicles	25% (reducing balance basis)
Fixtures and fittings	20% (reducing balance basis)
Computer equipment	20 – 25% (straight line basis)

Costs associated with the development of a new booking system are capitalised and amortised over 5 years.

Repair and maintenance costs are expensed as incurred.

### **Pension costs**

The Group provides pensions to eligible employees through defined contribution plans. The amounts charged to the profit and loss account in respect of pension costs are the contributions payable for the year.

### **Leases**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group are capitalised in the balance sheet and are depreciated over their useful economic lives. The capital element of future obligations under finance leases is included as a liability in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the periods of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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 car hire and ancillary services. The Group's TTV and turnover are all generated within this segment.

*Geographical analysis:*

	<i>TTV and Turnover (by destination and source)</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
By geographical area			
United Kingdom	75,147	71,759	67,365
Germany	45,927	42,628	35,029
Other countries	31,033	37,971	33,198
Joint ventures	1,648	952	560
	<u>153,755</u>	<u>153,310</u>	<u>136,152</u>
	<i>Net loss on ordinary activities before taxation</i>		
	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
By geographical area			
United Kingdom	2,227	2,927	2,959
Germany	1,771	422	1,190
Other countries (including central costs)	(4,419)	(7,276)	(5,716)
	<u>(421)</u>	<u>(3,927)</u>	<u>(1,567)</u>
Share of operating profit of joint ventures	178	70	9
Net interest payable	(714)	(402)	(437)
Profit/(loss) on disposal of fixed assets and discontinued operations	8	(82)	—
	<u>(949)</u>	<u>(4,341)</u>	<u>(1,995)</u>

**3 Operating profit**

Operating profit is stated after charging the following:

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
Staff costs (Note 6)	13,500	13,413	11,805
Operating lease rentals - equipment hire	60	56	63
- property	621	778	480
Amortisation of intangible assets	29	219	282
Depreciation - on owned tangible assets	1,842	1,364	903
- on assets held under finance leases (including hire purchase contracts)	9	36	122
Auditors' remuneration - audit services	217	214	162
- non-audit services	138	147	39

**4 Exceptional items**

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
Directors' compensation on loss of office	265	—	271
Funding review costs	373	—	184
Write off of old debtor balances	452	—	—
	<u>1,090</u>	<u>—</u>	<u>455</u>

Certain costs have been shown as exceptional items because they represent costs of a one off nature which distort the trend of operating costs.

In 2002, they represent the compensation for loss of office of former directors of £265,000, the one off cost of a funding review of £373,000, and the write off of some old debtor balances of £452,000.

In 2000, exceptional items included the monetary compensation for loss of office of £271,000 for two directors and funding review costs of £184,000 written off, since the directors of the Group decided the Group's interest would be best served by continuing with existing funding arrangements.

**5 Net interest (payable)/receivable**

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
Interest payable on bank loans and overdrafts	(754)	(579)	(504)
Interest payable on hire purchase	(7)	(14)	(34)
	<u>(761)</u>	<u>(593)</u>	<u>(538)</u>
Bank interest receivable and similar income	47	191	101
Net interest payable	<u>(714)</u>	<u>(402)</u>	<u>(437)</u>

**6 Directors and employees**

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
Wages and salaries	11,723	11,854	10,363
Social security costs	1,579	1,415	1,304
Other pension costs	198	144	138
	<u>13,500</u>	<u>13,413</u>	<u>11,805</u>

The average number of persons employed during the year can be split as follows:

	<i>Year ended 31 October 2002 Number</i>	<i>Year ended 31 October 2001 Number</i>	<i>Year ended 31 October 2000 Number</i>
Administration	170	170	162
Sales	70	71	64
Reservations	203	193	174
	<u>443</u>	<u>434</u>	<u>400</u>

Directors' emoluments for the year:

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
Emoluments	<u>1,023</u>	<u>877</u>	<u>1,331</u>

The emoluments of the highest paid director, Clive Jacobs, were as follows:

	<i>Year ended 31 October 2002</i>	<i>Year ended 31 October 2001</i>	<i>Year ended 31 October 2000</i>
Basic salary	210,850	206,000	170,000
Bonus	—	—	8,500
Benefits in kind	46,289	38,268	29,813
Pension contributions	14,901	10,300	8,500
	<u>272,040</u>	<u>254,568</u>	<u>216,813</u>

Retirement benefits are accruing to seven of the Company's directors under a defined contribution scheme. The value of Company contributions to the scheme for the directors totalled £50,000 (2001: £36,000; 2000: £36,000).

## 7 Taxation

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
(a) Analysis of charge/(credit) in year			
<b>UK Corporation tax</b>			
UK Corporation tax on profit/(loss) of the year	—	—	—
Adjustments in respect of previous periods	(156)	—	—
Sub total	(156)	—	—
<b>Overseas tax</b>			
Current tax	(589)	(408)	(252)
Sub total	(589)	(408)	(252)
<b>Total current tax</b>	(745)	(408)	(252)
<b>Deferred tax</b>			
Net originating timing differences	(3)	—	—
Sub total	(3)	—	—
<b>Corporation tax (charge)/credit</b>	(748)	(408)	(252)
(b) Factors affecting the current tax charge for the year			
The tax assessed for the period is higher than the standard rate of corporation tax explained below			
Profit/(loss) on ordinary before tax	(949)	(4,341)	(1,995)
Profit/(loss) on ordinary activities multiplied by the UK tax rate	(284)	(1,302)	(599)
Effect of:			
Disallowed expenses and non-taxable income	(218)	689	291
Depreciation in excess of capital allowances	(68)	(211)	—
Other differences	128	—	620
Adjustments in respect of previous periods	(239)	—	(81)
Tax losses	1,114	1,150	—
Others	312	82	21
<b>Current tax charge for the year</b>	745	408	252

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
(c) Factors that may affect future charges			
<b>Recognised deferred tax consists of:</b>			
Other timing differences	112	—	—
Tax losses	144	175	—
	<hr/>	<hr/>	<hr/>
Total deferred tax assets	256	175	—
	<hr/>	<hr/>	<hr/>
Accelerated capital allowances	291	223	—
Others	16	—	—
	<hr/>	<hr/>	<hr/>
Total deferred tax liabilities	307	223	—
	<hr/>	<hr/>	<hr/>
Undiscounted net deferred tax liability	51	48	—

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
<b>Unprovided deferred tax consists of:</b>			
Tax losses	2,265	1,252	409
	<hr/>	<hr/>	<hr/>
Accelerated Capital Allowances	—	—	92
	<hr/>	<hr/>	<hr/>
Total deferred tax assets	2,265	1,252	501
	<hr/>	<hr/>	<hr/>

The Group has significant tax losses in the UK that are available for offset against future taxable profits of those companies in which the losses arose. These losses have not been recognised as they do not satisfy the recognition criteria for deferred tax assets in FRS19.

	<i>£'000</i>
(d) Provision for deferred tax	
At 1 November 1999	—
	<hr/>
At 31 October 2000	—
Provided during 2001	48
	<hr/>
At 31 October 2001	48
Provided during 2002	3
	<hr/>
At 31 October 2002	51
	<hr/>

## 8 Dividends

	<i>2002 £'000</i>	<i>2001 £'000</i>	<i>2000 £'000</i>
Interim paid – ‘A’ ordinary shares	205	205	205
– 8% preference shares	105	211	211
Cumulative preference dividend entitlement	106	—	—
	<hr/>	<hr/>	<hr/>
	416	416	416
	<hr/>	<hr/>	<hr/>

**9 Intangible fixed assets**

<b>Cost</b>	<i>Goodwill</i> £'000
At 1 November 1999	5,106
Additions	—
Disposals	—
Foreign exchange differences	533
	<hr/>
At 31 October 2000	5,639
	<hr/>
Additions	—
Disposals	(5,080)
Foreign exchange differences	10
	<hr/>
At 31 October 2001	569
	<hr/>
Additions	—
Disposals	—
Foreign exchange differences	5
	<hr/>
At 31 October 2002	574
	<hr/> <hr/>
<b>Accumulated amortisation</b>	
At 1 November 1999	189
Amortisation charged	282
Foreign exchange differences	9
	<hr/>
At 31 October 2000	480
	<hr/>
Amortisation charged	219
Disposals	(604)
Foreign exchange differences	(7)
	<hr/>
At 31 October 2001	88
	<hr/>
Amortisation charged	29
Foreign exchange differences	1
	<hr/>
At 31 October 2002	118
	<hr/> <hr/>
<b>Net book amount at 31 October 2002</b>	456
	<hr/> <hr/>
<b>Net book amount at 31 October 2001</b>	481
	<hr/> <hr/>
<b>Net book amount at 31 October 2000</b>	5,159
	<hr/> <hr/>

**10 Tangible fixed assets**

	<i>Short Leasehold Land and Buildings £'000</i>	<i>Motor Vehicles £'000</i>	<i>Assets in the Course of Construction £'000</i>	<i>Fixtures, Fittings and Computer Equipment £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 November 1999	193	393	—	4,178	4,764
Additions	—	277	—	1,959	2,236
Disposals	—	(198)	—	(17)	(215)
Foreign exchange differences	—	(2)	—	(13)	(15)
At 31 October 2000	193	470	—	6,107	6,770
Additions	2,385	68	985	1,867	5,305
Disposals	(193)	(89)	—	(1,801)	(2,083)
Foreign exchange differences	—	3	—	42	45
At 31 October 2001	2,385	452	985	6,215	10,037
Additions	207	84	—	2,350	2,641
Disposals	—	(202)	—	(29)	(231)
Foreign exchange differences	—	2	—	43	45
Reclassification	—	—	(985)	985	—
At 31 October 2002	2,592	336	—	9,564	12,492
<b>Accumulated depreciation</b>					
At 1 November 1999	72	115	—	2,063	2,250
Charge for the year	19	95	—	911	1,025
Disposals	—	(63)	—	(12)	(75)
Foreign exchange differences	—	3	—	17	20
At 31 October 2000	91	150	—	2,979	3,220
Charge for the year	191	80	—	1,129	1,400
Disposals	(190)	(32)	—	(1,399)	(1,621)
Foreign exchange differences	—	1	—	14	15
At 31 October 2001	92	199	—	2,723	3,014
Charge for the year	166	65	—	1,620	1,851
Disposals	—	(98)	—	(7)	(105)
Foreign exchange differences	—	—	—	26	26
At 31 October 2002	258	166	—	4,362	4,786
<b>Net book amount</b>					
At 31 October 2002	2,334	170	—	5,202	7,706
At 31 October 2001	2,293	253	985	3,492	7,023
At 31 October 2000	102	320	—	3,128	3,550

The net book value of assets included above which are held under finance leases and hire purchase contracts at 31 October 2002 is £75,000 (2001: £156,000; 2000: £466,000).

**11 Fixed assets – investments**

On 1 November 1999, the Group entered into a joint venture agreement with Imperial Holdings Limited in South Africa. The resultant joint venture undertaking Auto Holidays (Proprietary) Limited is also engaged in the provision of car rentals and is incorporated in South Africa.

	<i>Country of Operation and Incorporation</i>	<i>Ordinary Shares %</i>
<b>Held directly</b>		
holiday autos holdings Ltd	UK	100
<b>Held indirectly</b>		
holiday autos International Ltd	UK	100
holiday autos Autovermietung GmbH	Germany	100
holiday autos US Inc	USA	100
holiday autos Scandanavia AB	Sweden	100
Kemwel Holiday Autos LLC	USA	100
Kemwel Group Inc	USA	100
holiday autos holdings France SARL	France	100
holiday autos France	France	100
holiday autos (Schweiz) AG	Switzerland	100
holiday autos B.V.	Holland	100
holiday autos Australia Pty Limited	Australia	100
holiday autos Benelux SA	Belgium	100
holiday autos Italia SRL	Italy	100

All subsidiary companies are engaged in the provision of car rentals.

**12 Debtors**

	<i>At 31 October 2002 £'000</i>	<i>At 31 October 2001 £'000</i>	<i>At 31 October 2000 £'000</i>
Trade debtors	6,403	5,389	6,099
Other debtors	5,767	4,122	12
Prepayments and accrued income	1,369	849	1,506
Advance payments	—	—	1,684
Corporation tax receivable	204	—	—
	<u>13,743</u>	<u>10,360</u>	<u>9,301</u>

Other debtors includes market support rebates.

**13 Creditors: amounts falling due within one year**

	<i>At 31 October 2002 £'000</i>	<i>At 31 October 2001 £'000</i>	<i>At 31 October 2000 £'000</i>
Secured obligations under hire purchase agreements (Note 15)	24	44	111
Trade creditors	4,617	9,437	6,036
Corporation tax	—	75	64
Other creditors including social security	1,771	802	1,240
Advanced payments received	2,659	2,330	2,121
Accruals and deferred income	32,685	25,187	25,078
	<u>41,756</u>	<u>37,875</u>	<u>34,650</u>

**14 Creditors: amounts falling due after more than one year**

	<i>At</i> <i>31 October</i> <i>2002</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2001</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2000</i> <i>£'000</i>
Secured obligations under hire purchase agreements (Note 15)	45	49	59
Other creditors	—	3	3
Other loans (Note 16)	21	—	344
Corporation tax	172	—	—
	<u>238</u>	<u>52</u>	<u>406</u>

**15 Obligations under hire purchase contracts**

	<i>At</i> <i>31 October</i> <i>2002</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2001</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2000</i> <i>£'000</i>
<b>Gross obligations</b>			
Under one year	32	50	119
In the second to fifth years inclusive	52	55	69
	<u>84</u>	<u>105</u>	<u>188</u>
Less: Amounts representing future finance charges	(15)	(12)	(18)
	<u>69</u>	<u>93</u>	<u>170</u>
Due within one year (Note 13)	24	44	111
Due after more than one year (Note 14)	45	49	59
	<u>69</u>	<u>93</u>	<u>170</u>

**16 Other loans**

On 17 February 1999, holiday autos US Inc., a subsidiary registered in the United States of America and wholly owned by the Company, acquired the entire share capital of Kemwel Group Inc (an entity registered in the United States of America holding 50 per cent. of the interest of the joint venture, Kemwel Holidays Autos LLC).

As part of the acquisition of the Kemwel Group Inc the vendor was paid \$1,500,000, which was payable in 48 equal monthly instalments starting March 1999. The rate of interest charged was 2.5 per cent. above American Federal Funds Rate.

	<i>At</i> <i>31 October</i> <i>2002</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2001</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2000</i> <i>£'000</i>
<b>Amounts repayable</b>			
In one year or less	—	—	251
In more than one year but not more than two years	—	—	251
In more than two years but not more than five years	—	—	93
	<u>—</u>	<u>—</u>	<u>595</u>
Disclosed in creditors falling due within one year	—	—	251
Disclosed in creditors falling due after more than one year	—	—	344
	<u>—</u>	<u>—</u>	<u>595</u>

**17 Share capital**

<b>Authorised</b>	<i>At</i> <i>31 October</i> <i>2002</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2001</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2000</i> <i>£'000</i>
'A' ordinary shares of £0.01 – Non equity	26	26	26
'B' ordinary shares of £0.01 – Equity	6	6	6
'C' ordinary shares of £0.01 – Equity	3	3	3
8% preference shares of £0.01 – Non equity	26	26	26
	<u>61</u>	<u>61</u>	<u>61</u>

<b>Allotted, called up and fully paid</b>	<i>At</i> <i>31 October</i> <i>2002</i> <i>No 000's</i>	<i>At</i> <i>31 October</i> <i>2001</i> <i>No 000's</i>	<i>At</i> <i>31 October</i> <i>2000</i> <i>No 000's</i>	<i>At</i> <i>31 October</i> <i>2002</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2001</i> <i>£'000</i>	<i>At</i> <i>31 October</i> <i>2000</i> <i>£'000</i>
'A' ordinary shares of £0.01 – Non equity	2,560	2,560	2,560	26	26	26
'B' ordinary shares of £0.01 – Equity	637	637	637	6	6	6
'C' ordinary shares of £0.01 – Equity	241	241	241	3	3	3
8% preference shares of £0.01 – Non equity	2,640	2,640	2,640	26	26	26
	<u>6,078</u>	<u>6,078</u>	<u>6,078</u>	<u>61</u>	<u>61</u>	<u>61</u>

On incorporation the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each. On 29 July 1998 these shares were divided into 100,000 'A' ordinary shares of £0.01 and the authorised share capital increased to £61,000 as detailed above.

**'A' Ordinary shares**

The holders of 'A' ordinary shares are entitled to receive a fixed cumulative preferential dividend at the rate of 8 per cent. per annum on the nominal amount of shares in issue plus premium paid on subscription.

This additional dividend shall accrue from day to day and shall be paid immediately on the last day of each month after the date of issue or in respect of the first dividend from date of issue to the end of that calendar month.

The holders of 'A' ordinary shares shall be entitled to receive notice of and attend and speak but not to vote at all general meetings of the Company.

On liquidation of the Company, 'A' ordinary shareholders will rank after preference shareholders and before 'B' and 'C' shareholders.

**'B' Ordinary shares**

The holders of 'B' ordinary shares are not entitled to receive a dividend except on a sale or listing when the holder is entitled to a payment of dividend or return of capital, the amount of which is based on the return received by the 'C' ordinary shareholders and preference shareholders. The holders of 'B' ordinary shares are entitled to vote at all general meetings of the Company. 'B' ordinary shareholders rank *pari passu* with 'C' ordinary shareholders.

On liquidation of the Company, 'B' ordinary shareholders will rank after preference, 'A' ordinary shareholders and *pari passu* with 'C' shareholders.

**‘C’ Ordinary shares**

The holders of ‘C’ shares are entitled in respect of each successive financial year of the Company (starting with the financial year ending 31 October 2001) to a dividend of a cash sum equal to a percentage of the net profits of the Company and its subsidiary undertakings, as set out in the Articles of Association. The Directors are of the opinion that there are insufficient distributable reserves across the Group to support the payment of this dividend. The ‘C’ shares will be redeemed on a sale or listing. The holders of ‘C’ ordinary shares are entitled to attend and vote at all general meetings of the Company. ‘C’ ordinary shareholders rank *pari passu* with ‘B’ ordinary shareholders.

On liquidation of the Company, ‘C’ ordinary shareholders will rank after preference, ‘A’ ordinary shareholders and *pari passu* with ‘B’ shareholders.

**Preference shares**

The holders of the preference shares are entitled to receive a fixed cumulative preferential dividend at the rate of 8 per cent. per annum on the nominal amount plus any premium paid on subscription. The holders of preference shares shall be entitled to receive notice of, and to attend and speak at, but not to vote at all general meetings of the Company. The preference shares on liquidation of the Company rank above the ordinary shares. The preference shares are redeemable in two tranches: 1,000,000 on 31 October 1999 and 1,640,000 on 31 October 2000.

As at 24 March 2003 no shares have been redeemed. The holders have indicated that they do not intend to redeem the preference shares for the foreseeable future. In these circumstances the preference shareholders are entitled, by notice in writing to the Company given by the holders of a majority thereof, to require redemption of all or any of the preference shares in the event that any sum due in respect of preference shares is more than six months in arrears after the payment date shown above, irrespective of whether the Company had sufficient distributable profits or reserves out of which to pay such sum.

However at 24 March 2003 no such notice has been received by the Company. As a result of the non redemption of the shares the preference shareholders shall, while this situation persists, be entitled to vote at any general meeting of the Company. On a show of hands, each preference shareholder present in person or by proxy shall have one vote and on a poll, each preference shareholder shall have 100 votes for every preference share of which they are a holder.

**18 Statement of reserves**

	<i>Share Capital</i> £'000	<i>Share Premium Account</i> £'000	<i>Profit and Loss Account</i> £'000	<i>Merger Reserve</i> £'000
<b>At 1 November 1999</b>	61	102	(8,961)	245
Exchange differences on translation of net assets	—	—	(282)	—
Loss for year	—	—	(2,663)	—
<b>At 31 October 2000</b>	61	102	(11,906)	245
Exchange differences on translation of net assets	—	—	85	—
Loss for year	—	—	(5,165)	—
<b>At 31 October 2001</b>	61	102	(16,986)	245
Exchange differences on translation of net assets	—	—	(47)	—
Loss for year	—	—	(2,113)	—
Other appropriation added back	—	—	106	—
<b>At 31 October 2002</b>	61	102	(19,040)	245

The accumulated amount of goodwill charged to reserves is £8,436,000.

## 19 Contingent liabilities and securitisations

As at 31 October 2002 the Company had banking facilities with NatWest Bank plc secured by mortgage debentures and guarantees given to NatWest Bank plc over the assets and undertakings of the Company and the holiday autos Group of companies.

Standby letters of credit totalling £344,000 were given to one of the Company's suppliers (2001: £344,000; 2000: £344,000). A guarantee of £833,000 was given to one of the Company's suppliers (2001: £833,000; 2000: £833,000).

On 21 November 2002 the Company entered into new banking arrangements replacing NatWest Bank plc with Halifax Bank of Scotland plc.

## 20 Financial commitments

The Group's principal financial instruments comprise trade and other debtors, trade and other creditors, accruals, and cash.

As permitted by FRS 13, Derivatives and Other Financial Instruments: Disclosures, short-term debtors and creditors have been excluded from these disclosures, other than in relation to the currency risks.

The Group has overdraft facilities at 31 October 2002. Interest is charged at a floating rate that follows LIBOR.

As a result of the significant investment in its Euro zone 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 currently, and as such the Group does not hedge against these currency risks.

The Group faces transactional exposure in respect of costs and revenues that are not denominated in the functional currency of the transacting company. The Group's policy is to hedge against part of the net currency exposure (commonly a liability) associated with expected (but not contractually committed) cash flows arising from these transactions. Forward exchange contracts entered into up to 31 January 2003 cover net foreign currency liabilities expected to arise for the period to 20 October 2003. Consequently any exchange gain/loss arising on their crystallisation is expected to be matched by a corresponding loss/gain on these net liabilities. Gains and losses on instruments used for hedging are not recognised until the hedged position is recognised.

At 31 October 2002 there were outstanding forward foreign exchange contracts, entered into in the ordinary course of business, with a sterling equivalent value of £11,357,000 (2001 £17,643,000) and, with the last expiry date of 20 December 2002.

## 21 Capital commitments

At 31 October 2002 there were no commitments contracted for but not provided (2001: £Nil; 2000: £2,170,000). The capital commitments in 2000 related to the new office premises in Camberley, Surrey.

## 22 Commitments under operating leases

At 31 October 2002 the Group is committed to making the following annual payments under operating leases which expire in the following periods:

	<i>At 31 October 2002</i>			<i>At 31 October 2001</i>			<i>At 31 October 2000</i>		
	<i>Property £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>	<i>Property £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>	<i>Property £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
Within one year	6	—	6	74	34	108	285	24	309
Between two and five years	802	94	896	724	41	765	1,451	48	1,499
After five years	102	—	102	—	—	—	2,902	—	2,902
	910	94	1,004	798	75	873	4,638	72	4,710

**23 Notes to the cash flow statement****(a) Reconciliation of operating profit to net cash flow from operating activities**

	<i>Year ended 31 October 2002</i>	<i>Year ended 31 October 2001</i>	<i>Year ended 31 October 2001</i>	<i>Year ended 31 October 2000</i>	<i>Year ended 31 October 2000</i>
	<i>Continuing Activities</i>	<i>Continuing Activities</i>	<i>Discontinued Activities</i>	<i>Continuing Activities</i>	<i>Discontinued Activities</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Group operating (loss)/profit	(243)	(1,471)	(2,386)	(940)	(627)
Depreciation charges	1,851	1,335	65	926	99
Amortisation charge	29	26	193	28	254
(Increase)/decrease in debtors	(3,351)	(855)	(272)	1,496	19
Increase/(decrease) in creditors	4,008	3,897	(379)	2,085	(1,244)
Net cash inflow/(outflow) from operating activities	2,294	2,932	(2,779)	3,595	(1,499)

**(b) Reconciliation of net cash flow to movement in net funds**

	<i>Year ended 31 October 2002</i>	<i>Year ended 31 October 2001</i>	<i>Year ended 31 October 2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Decrease in cash in the year	(2,107)	(2,010)	(916)
Capital element of finance payments	79	145	290
Change in net funds from cash flows	(2,028)	(1,865)	(626)
New finance leases	(55)	(68)	(191)
Translation difference	(74)	(64)	(766)
Movements in the period	(2,157)	(1,997)	(1,583)
Net funds brought forward	3,372	5,369	6,952
Net funds carried forward	1,215	3,372	5,369

## (c) Analysis of net funds

	<i>Cash at bank and in hand</i>	<i>Hire Purchase and finance leases</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>As at 1 November 1999</b>	7,025	(269)	6,756
Cash flow during the year	(916)	290	(626)
Other non cash changes	196	(191)	5
Foreign exchange differences	(766)	—	(766)
<b>Total cash &amp; non cash movements</b>	<b>(1,486)</b>	<b>99</b>	<b>(1,387)</b>
<b>As at 31 October 2000</b>	5,539	(170)	5,369
Cash flow during the year	(2,010)	145	(1,865)
Other non cash changes	—	(68)	(68)
Foreign exchange differences	(64)	—	(64)
<b>Total cash &amp; non cash movements</b>	<b>(2,074)</b>	<b>77</b>	<b>(1,997)</b>
<b>As at 31 October 2001</b>	3,465	(93)	3,372
Cash flow during the year	(2,107)	79	(2,028)
Other non cash changes	—	(55)	(55)
Foreign exchange differences	(74)	—	(74)
<b>Total cash &amp; non cash movements</b>	<b>(2,181)</b>	<b>24</b>	<b>(2,157)</b>
<b>As at 31 October 2002</b>	<b>1,284</b>	<b>(69)</b>	<b>1,215</b>

**24 Disposal of assets**

	<i>Year ended 31 October 2002 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
Tangible fixed assets	—	196	—
Goodwill	—	4,476	—
<b>Net assets divested</b>	<b>—</b>	<b>4,672</b>	<b>—</b>
Proceeds from sale of assets less transaction costs	—	4,742	—
<b>Profit on disposal</b>	<b>—</b>	<b>70</b>	<b>—</b>
	<i>Year ended 31 October 2000 £'000</i>	<i>Year ended 31 October 2001 £'000</i>	<i>Year ended 31 October 2000 £'000</i>
Satisfied by:			
Cash consideration	—	4,742	—

The assets of Kemwel Holiday Autos LLC were purchased on 6 August 2001 by Travel Services International Inc for £4,742,000.

## **25 Related Party Transactions**

Clive Jacobs, the Chairman of the Group, has an interest free quasi loan. The quasi loan balance at 31 October 2002 was £330,000 (2001: £213,000; 2000: £145,000). The outstanding quasi loan balance is included in other debtors. Clive Jacobs is required under the Purchase Agreement to repay the outstanding balance on this quasi loan prior to Completion.

Clive Jacobs is also a shareholder in holiday hotels limited, a company to which holiday autos provides certain administrative services on an arm's length basis. (Also see note 26 below).

Included in trade debtors is a receivable from holiday hotels limited of £2 million, of which £1.8 million is not due for payment in the next 12 months.

The Group paid to Wick Technology Ltd., which is wholly owned by J Richards, the amount of £35,000 (2001: £30,000) for the services of J Richards as a director and consultant to Holiday Autos Group Limited.

## **26 Subsequent events**

On 21 November 2002 the Company entered into new banking arrangements as a result of which the Bank of Scotland ("BoS") replaced NatWest Bank Plc as bankers to the Group. These new arrangements increase the availability of working capital facilities to £10 million, provide forward exchange facilities of up to £50 million and guarantee facilities of £1 million for a committed term to 21 November 2004. The facilities are secured by a composite guarantee and debenture given to BoS over the assets and undertakings of the Company and its three United Kingdom trading subsidiaries.

On 21 November 2002 the Company subscribed for 49,900 A ordinary shares, being 49.9 per cent. of the issued share capital, in holiday hotels limited, a company registered in the United Kingdom. Contemporaneously, Clive Jacobs granted the Company a call option over 30,100 B ordinary shares, being 30.1 per cent. of the issued share capital, in holiday hotels limited for £1 exercisable at any time up until 21 November 2012.

No other material events have occurred since the balance sheet date that would affect the opinion or understanding of the Group's activities or financial position other than as already disclosed in this financial information.

Yours faithfully  
Ernst & Young LLP

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### **Part III**

#### **Pro Forma Financial Information on the Enlarged Group**

The following is a pro forma statement of the consolidated profit and loss account of the Enlarged Group following completion of the Acquisition as if the Acquisition had taken place at 1 October 2001 and a pro forma statement of the net assets of the Enlarged Group following completion of the Acquisition as if the Acquisition had taken place as at 31 December 2002. It is based on the audited consolidated profit and loss account of lastminute.com plc for the year ended 30 September 2002 and the unaudited interim Balance Sheet of lastminute.com plc as at 31 December 2002 as adjusted for the consolidated profit and loss account and consolidated balance sheet of the holiday autos group as at 31 October 2002 as set out in the accountants' report in Part II of this document, and matters set out in the notes below. The pro forma statements are prepared for illustrative purposes only to demonstrate the impact of the acquisition of the holiday autos group on the profit and loss account and the net assets of lastminute.com plc and, because of their nature, they may not give a true picture of the Enlarged Group's financial position.

## PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE ENLARGED GROUP

	<i>Profit and Loss Account of lastminute.com plc for the year ending 30 September 2002 (2) £'000</i>	<i>Adjustment for Profit and Loss Account of holiday autos Group for the year ending 31 October 2002 (3) £'000</i>	<i>Adjustments (4)</i>	<i>Pro forma Profit &amp; Loss Account of the Enlarged Group for the year ending 30 September 2002 £'000</i>
<b>Total transaction value (TTV) (1)</b>	245,971	153,755	—	399,726
<b>Turnover</b>				
Group and share of joint ventures	35,077	153,755	—	188,832
Less share of joint ventures	(187)	(1,648)	—	(1,835)
<b>Group turnover</b>	34,890	152,107	—	186,997
Cost of sales	(1,626)	(102,255)	—	(103,881)
<b>Gross profit</b>	33,264	49,852	—	83,116
<b>Other income</b>	—	92	—	92
<b>Operating costs</b>				
Operating costs before depreciation, amortisation and exceptional items	(40,590)	(47,387)	—	(87,977)
<b>EBITDA (before exceptional items)</b>	(7,326)	2,557	—	(4,769)
Depreciation	(9,781)	(1,851)	—	(11,632)
Goodwill amortisation	(18,666)	(29)	(15,272)	(33,967)
Operating exceptional items	—	(1,090)	—	(1,090)
<b>Total operating costs</b>	(69,037)	(50,357)	(15,272)	(134,666)
<b>Group operating loss</b>	(35,773)	(413)	(15,272)	(51,458)
Share of operating loss/profit in joint ventures associates (including goodwill amortisation)	(565)	178	—	(387)
<b>Total operating loss: group and share of joint ventures</b>	(36,338)	(235)	(15,272)	(51,845)
Non operating exceptional items	(3,094)	—	—	(3,094)
<b>Loss on ordinary activities before interest and taxation</b>	(39,432)	(235)	(15,272)	(54,939)
Net Interest receivable/(payable)	1,357	(714)	—	643
<b>Loss on ordinary activities before taxation</b>	(38,075)	(949)	(15,272)	(54,296)
Tax on loss on ordinary activities	(6)	(748)	—	(754)
<b>Loss on ordinary activities after taxation</b>	(38,081)	(1,697)	(15,272)	(55,050)
Dividends	—	(416)	—	(416)
Loss for the financial year and transfer from reserves	(38,081)	(2,113)	(15,272)	(55,466)

- (1) TTV does not represent statutory turnover and comprises amounts relating to each group and their respective share of their joint ventures.
- (2) The Profit and Loss Account of lastminute.com plc for the year ending 30 September 2002 has been extracted from the audited consolidated financial statements.
- (3) The Profit and Loss Account of holiday autos group for the year ending 31 October 2002 has been extracted from the Accountants' Report set out in Part II of this document.
- (4) Goodwill amortisation has been calculated by applying the lastminute.com group policy of amortising goodwill over four years to the approximation of goodwill calculated in footnote 3 of the Pro Forma Consolidated Statement of Net Assets for the Enlarged Group. This will continue to have an effect on the Enlarged Group.

**PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP**

	<i>Net assets of lastminute.com plc as at 31 December 2002(1) £'000</i>	<i>Adjustment for the acquisition of the net assets of the holiday autos Group as at 31 October 2002 (2) £'000</i>	<i>Adjustments (3) £'000</i>	<i>Pro forma adjusted net assets of the Enlarged Group £'000</i>
<b>Fixed assets</b>				
Intangible assets	76,408	456	61,089	137,953
Tangible fixed assets	12,271	7,706	—	19,977
Fixed asset investments	2,816	224	—	3,040
	<u>91,495</u>	<u>8,386</u>	<u>61,089</u>	<u>160,970</u>
<b>Current Assets</b>				
Stock	159	—	—	159
Debtors	16,431	13,743	—	30,174
Cash at bank	41,913	1,284	(6,800)	36,397
	<u>58,503</u>	<u>15,027</u>	<u>(6,800)</u>	<u>66,730</u>
<b>Creditors: amounts falling due within one year</b>	(49,444)	(41,756)	—	(91,200)
<b>Net current assets/(liabilities)</b>	<u>9,059</u>	<u>(26,729)</u>	<u>(6,800)</u>	<u>(24,470)</u>
<b>Total assets less current liabilities</b>	100,554	(18,343)	54,289	136,500
<b>Creditors: amounts falling due after more than one year</b>	(6)	(238)	—	(244)
<b>Provision for liabilities and charges</b>	(2,838)	(51)	—	(2,889)
<b>Net assets/(liabilities)</b>	<u><u>97,710</u></u>	<u><u>(18,632)</u></u>	<u><u>54,289</u></u>	<u><u>133,367</u></u>

- (1) Net assets of lastminute.com plc as at 31 December 2002 have been extracted from the unaudited interim report.
- (2) Net assets of the holiday autos group as at 31 October 2002 have been extracted from the Accountants' Report set out in Part II of this document.
- (3) The adjustment represents goodwill arising on acquisition, calculated as follows:

Ordinary share consideration	£'000 23,657 <sup>(4)</sup>
Cash proceeds from placement	12,000 <sup>(4)</sup>
Cash consideration	4,000
Estimated acquisition expenses	2,800
	<u>42,457</u>
Less: net liabilities of the holiday autos group at 31 October 2002	18,632
	<u><u>61,089</u></u>

In accordance with FRS 7, "Fair values in acquisition accounting", the fair value of the consideration at the date of the issue of the Ordinary Shares (determined by reference to the market price of Ordinary Shares at that date) and the fair value of the net assets acquired will be used in calculating the goodwill for inclusion in the lastminute.com plc accounts for the year ending 30 September 2003. These fair value adjustments have not been reflected in this unaudited pro forma statement of net assets.

The calculation of goodwill excludes the impact of holiday hotels limited, an interest in which was acquired on 21 November 2002.

- (4) Consideration has been calculated using the Ordinary Share price at the close of business on 25 March 2003 of 87 pence. The actual consideration to be included in the calculation of the goodwill arising will be based upon the market value of the Ordinary Shares on the date that they are issued.
- (5) No adjustments have been made to reflect any trading or other transactions of lastminute.com plc since 30 September 2002 or of the holiday autos group since 31 October 2002, other than as disclosed above.



Becket House  
1 Lambeth Palace Road  
London  
SE1 7EU

27 March 2003

The Directors and Proposed Director  
lastminute.com plc  
4 Buckingham Gate  
London  
SW1E 6JP

Cazenove & Co. Ltd  
12 Tokenhouse Yard  
London  
EC2R 7AN

Dear Sirs

We report on the pro forma financial information set out in this Part III of the circular dated 27 March 2003, which has been prepared, for illustrative purposes only, to provide information about how the Acquisition (defined in such circular) might have affected the financial information presented.

#### **Responsibility**

It is the responsibility solely of the Directors and Proposed Director of lastminute.com plc to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority (“the Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the pro forma financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and the Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors and Proposed Director of lastminute.com plc.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

#### **Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of lastminute.com plc; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

Ernst & Young LLP



<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital (1)</i>
Deutsche Bank AG	23,906,661	8.35
Cheetah International Investments Limited	17,738,065	6.19
Brent Hoberman	15,836,133	5.53
Clive Jacobs	11,341,835	3.96
ECI Partners LLP	10,312,796	3.60
Martha Lane Fox	10,207,879	3.56
Global Retail Partners	9,371,280	3.27
Barclays PLC	7,890,813	2.76

(1) The interest following the Placing and Acquisition assumes that the shareholder does not subscribe for shares under the Placing

#### **4. Litigation**

- 4.1 Neither the Company nor any of its subsidiaries is engaged in, or has pending or threatened against it, any legal or arbitration proceedings which may have or have had during the twelve months prior to the publication of this document a significant effect on the financial position of the lastminute.com Group.
- 4.2 Save as disclosed in this paragraph neither holiday autos nor any of its subsidiaries is engaged in, or has pending or threatened by or against it, any legal or arbitration proceedings which may have or have had during the twelve months prior to the publication of this document a significant effect on the financial position of the holiday autos group.

holiday autos GmbH is involved in ongoing litigation with a company in the leisure car rental industry in respect of the trade mark "Holiday Autos" in Germany. That company has successfully contested a registration by holiday autos GmbH of the trademark "Holiday Autos" and holiday autos is appealing that decision. This litigation is ongoing and centers on the ownership of a trademark rather than a claim for monetary damages.

#### **5. Material contracts**

##### **5.1 lastminute.com**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and members of the Group within the period of two years immediately preceding the date of this document and are or may be material to the Group or have been entered into at any time and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

##### **(i) Acquisition Agreement**

Pursuant to the Acquisition Agreement lastminute.com will acquire the entire issued share capital of holiday autos for an initial total consideration of £39.7 million. The consideration will be satisfied in part by the issue of 27,191,771 Consideration Shares (subject to lock-up provisions for 12 months in respect of approximately 71 per cent. of the Consideration Shares and for 6 months in respect of approximately 23 per cent. of the Consideration Shares).

All Consideration Shares will be subject to orderly market restrictions for 18 months from Completion, save for 361,555 Ordinary Shares that are not subject to any lock-up or orderly market restrictions.

In addition to the initial consideration, the Acquisition Agreement provides that lastminute.com will pay a fixed deferred consideration amount of £1.6 million to Clive Jacobs on the latter remaining in employment with the Group until 17 March 2004 or will be paid to Clive Jacobs if he is not so employed on 17 March 2004 if the reason for such ceasing to be employed was not due to circumstances justifying the termination of his service contract. This fixed deferred consideration is to be satisfied, at lastminute.com's option, in Ordinary Shares or cash. Contingent deferred consideration of up to £1.7 million will be payable subject to certain performance criteria relating to holiday autos in respect of the level of TTV achieved in the year to 31 October 2003. Any contingent deferred consideration payable shall be satisfied, at lastminute.com's option, in Ordinary Shares or cash.

Certain holiday autos Shareholders (including Clive Jacobs) have given warranties that are capped at the amount the warrantors actually receive, being £17.9 million in respect of consideration paid on Completion

and additionally any deferred consideration that may become payable. All the warrantors have entered into a Tax Deed given in respect of certain tax liabilities of holiday autos. lastminute.com has agreed to pay an amount not exceeding £1 million plus VAT (if any) as a contribution to certain transaction costs of the vendors.

**(ii) Placing Agreements**

The cash component of the initial consideration required under the Acquisition is to be satisfied by lastminute.com Jersey from the proceeds of the Placing. The Placing Agreements require lastminute.com to allot and issue Placing Shares to persons nominated by Cazenove. Cazenove has agreed, for a fee, to place all the Placing Shares. The Placing is conditional upon Admission and Cazenove may, prior to Admission, terminate the Placing in certain circumstances, namely, following a breach of the terms of certain agreements or, following a breach of warranty given by lastminute.com under the Placing Agreements, or the occurrence of certain regulatory actions in so far as they materially limit the trading of securities on the London Stock Exchange. Cazenove and lastminute.com have each acquired one ordinary share of no par value in the capital of lastminute.com Jersey. Cazenove has further been allotted redeemable preference shares issued by lastminute.com Jersey in connection with the Placing in consideration for an undertaking by Cazenove to pay-up redeemable preference shares upon closing of the Placing. The aggregate subscription price for the redeemable preference shares will be the total proceeds of the Placing, and the cash representing such subscription is applied by lastminute.com Jersey in payment to holiday autos shareholders as consideration under the Acquisition Agreement.

The Placing Agreements provide that lastminute.com will issue the Placing Shares to persons nominated by Cazenove in consideration of it transferring to lastminute.com all of its lastminute.com Jersey shares and redeemable preference shares.

**(iii) Acquisition agreement for Exhilaration Incentive Management Limited**

Under an agreement for the acquisition of shares in Exhilaration Incentive Management Limited (“eXhilaration”) dated 15 November 2002 lastminute.com acquired the entire issued share capital of eXhilaration for an initial total consideration of £1.0 million. The consideration was satisfied by the issue of 955,110 Ordinary Shares (subject to lock-up provisions for up to 12 months and orderly market restrictions).

The vendors gave certain taxation and general warranties to lastminute.com pursuant to the term of the agreement. The vendors also entered into a tax deed given in respect of certain tax liabilities of eXhilaration.

In addition to the initial consideration, lastminute.com will pay a maximum deferred consideration amount of £2.0 million dependent on the delivery of material growth for the years to 31 March 2005. The deferred consideration (if any) is to be satisfied in new shares or loan notes at lastminue.com’s option.

**(iv) Other material contracts**

Material contracts made available for inspection in the two years preceding the date of this document are available for inspection in accordance with paragraph 11 of this Part IV.

**5.2 holiday autos**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the holiday auto group within the period of two years immediately preceding the date of this document and are or may be material to the holiday autos group or have been entered into at any time and which contain any provision under which any member of the holiday autos group has any obligation or entitlement which is or may be, material to the group as at the date of this document.

Under an agreement dated 6 April 2001 between Kemwel Holiday Autos LLC and holiday autos (as sellers) and Travel Services International, Inc (as Buyer) the holiday autos group disposed of the business of Kemwel Holiday Autos LLC for a consideration of £4,742,000. Historically, the US operations of the holiday autos group were conducted through Kemwel Holiday Autos LLC but it has now discontinued its operations and has sold its business assets.

**6. Directors’ and Proposed Director’s Service Agreements and Emoluments**

Save as disclosed below, the Directors’ service contracts are as previously published in the listing particulars dated 15 August 2002.

- 6.1 Vimal Khosla entered into a service contract with Last Minute Network Limited on 8 April 2002. His current basic salary is £120,000.
- 6.2 Clive Jacobs will, pursuant to the Acquisition Agreement and subject to completion, enter into a service contract with Last Minute Network Limited prior to and conditional upon completion. His basic salary will be £149,000. In addition he will be eligible for a bonus up to 100 per cent. of basic salary subject to achievement of performance targets to be agreed by the remuneration committee. The service contract for Mr Jacobs is terminable upon not less than 12 months notice until 1 March 2004 and not less than 6 months notice thereafter.

In addition to basic salary, Mr Jacobs is entitled to paid holiday, company sick pay, participation in a private health scheme, life assurance and personal defined contribution pension scheme.

Immediately after Completion, Mr Jacobs will receive options over 1,000,000 lastminute.com shares at a price set at the date of grant.

- 6.3 The aggregate remuneration (including benefits in kind, pension contributions and bonus) paid to the Directors and former directors of lastminute.com during the financial year ended 30 September 2002 was £574,227. The total emoluments receivable by the Directors will not be varied in consequence of the Acquisition.

## 7. Directors Interests

- 7.1 Save for the contracts detailed below, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by any member of the lastminute.com Group during the current financial year or that ended 30 September 2002 or which was effected during an earlier financial year and which remains in any respect outstanding or unperformed.
- (i) On 8 April 2002 lastminute.com signed an agreement acquiring the entire issued share capital of Travelselect.com Limited (of which Vimal Khosla was the majority shareholder) for an initial consideration of £9.0 million, and in respect of which Vimal Khosla received £500,000, (satisfied by the issue of shares) as an initial earn out consideration on 29 September 2002. The 8 April 2002 agreement was varied on 23 September 2002 in order to better accommodate the integration of the travelselect.com business within the lastminute.com Group and to provide for a deferred consideration amount of £1.7 million payable on 31 March 2003 with an additional £800,000 payable following the determination of whether certain global flights TTV targets were surpassed.
- (ii) In relation to Clive Jacobs, the contract referred to in paragraph 6 of this Part IV.
- 7.2 No loans or guarantees have been granted or provided to, or for the benefit of, any of the Directors by any member of the lastminute.com Group.
- 7.3 There is no arrangement under which any Director has agreed to waive future emoluments and during the financial year immediately preceding the date of this document, no Director has waived any emoluments.
- 7.4 As at 26 March 2003 (the latest practicable date prior to the date of this document), and immediately following completion of the Acquisition (a) the interests in the share capital of the Company of the Directors and the Proposed Director and persons connected with them (within the meaning of section 346 of the Companies Act) (all of which, unless otherwise stated, are beneficial), notified to the Company pursuant to sections 324 or 328 of the Companies Act or which are required to be entered in the register to be maintained under the provisions of section 325 of the Companies Act or which are interests of a person connected with a Director or the Proposed Director (within the meaning of section 346 of the Companies Act), which interests, if such connected persons were Directors would be required to be disclosed pursuant to sections 324 or 328 of the Companies Act or entered in the register to be maintained under the provisions of Section 325 and the existence of which is known or could, with reasonable diligence, be ascertained by the Directors or the Proposed Director and (b) the number of lastminute.com Shares held under option by the Directors and the Proposed Director under the lastminute.com Share Option Schemes, were and are expected to be as follows immediately following completion of the Acquisition (assuming all proposed New Ordinary Shares are issued):

## (a) Ordinary Shares

<i>Name</i>	<i>Number of lastminute.com Shares as at 26 March 2003</i>	<i>Percentage of issued share capital as at 26 March 2003</i>	<i>Number of Consideration Shares to be issued</i>	<i>Percentage of issued share capital</i>
				<i>immediately following the Placing and the Acquisition (1)</i>
Allan Leighton	197,273	0.08	–	0.07
Brent Hoberman	15,836,133	6.48	–	5.53
Martha Lane Fox	10,207,879	4.18	–	3.56
Vimal Khosla	6,457,423	2.64	–	2.25
Bob Collier	13,157	0.01	–	0.01
Brian Collie	19,155	0.01	–	0.01
Clive Jacobs	–	–	11,341,835	3.96

(1) The interest following the Placing and Acquisition assumes that the shareholder does not subscribe for shares under the Placing.

## (b) Options over Ordinary Shares

The Director's interests in share options over Ordinary Shares were as follows:

	<i>Exercise Price Pence</i>	<i>At 26 March 2003 Number</i>	<i>Exercisable Until</i>
<b>Executive Directors:</b>			
Brent Hoberman	2.31	151,335	28 June 2008
	107.00	140,187	2 December 2012
Martha Lane Fox	2.31	129,675	28 June 2008
	107.00	130,841	2 December 2012
David Howell	34.00	1,000,000	3 July 2011
	48.00	19,791	1 December 2005
Vimal Khosla (1)	61.25	600,000	8 April 2012
<b>Non-Executive Directors:</b>			
Bob Collier	2.31	320,625	31 October 2008
Allan Leighton	137.50	1,000,000	7 January 2011

(1) Includes an interest in share options over 300,000 Ordinary Shares granted to Gillian Khosla at an exercise price of 61.25p per share exercisable to 7 April 2012.

7.5 Immediately following Completion, Clive Jacobs will be issued options over 1,000,000 Ordinary Shares at a price set at the date of grant.

7.6 Save as disclosed above, none of the lastminute.com Directors nor the Proposed Director nor any person connected with them (within the meaning of Section 346 of the Companies Act) has (or is expected to have following the Acquisition) any interest in the share capital of lastminute.com or any of its subsidiaries.

**8. Working capital**

The Company is of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this document.

**9. Significant change**

- 9.1 Save as disclosed under the heading “Current Trading and Prospects’ in Part I, there has been no significant change in the financial or trading position of the lastminute.com Group since 31 December 2002 the date to which the latest interim financial statements of the lastminute.com Group have been published.
- 9.2 Save as disclosed under the heading “Current Trading and Prospects” in Part I and in note 26 “Subsequent events” of Part II, there has been no significant change in the financial or trading position of the holiday autos group since 31 October 2002 the date to which the latest audited financial statements of the holiday autos group have been published.

**10. Miscellaneous**

- 10.1 lastminute.com’s auditors are Ernst & Young LLP, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Ernst & Young LLP and its predecessor firm Ernst & Young has audited lastminute.com’s annual accounts for the three financial years ended 30 September 2002. Such reports have all been unqualified and have been filed with the Registrar of Companies.
- 10.2 Ernst & Young LLP have given and not withdrawn their written consent to the inclusion of their report and letter as set out in Parts II and III of this document, and the references thereto, and to their name in the form context in which they appear.
- 10.3 Cazenove & Co. Ltd have given and have not withdrawn their written consent to the issue of this document with the references to their name in the form and context in which they appear.
- 10.4 Directors and employees of Cazenove, the sponsor and financial adviser to lastminute.com, who have been advising lastminute.com hold, in aggregate, an interest in 35 lastminute.com Shares.
- 10.5 The financial information covering the Group contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act. Statutory accounts of the Group in respect of the financial year ended 30 September 2002 have been delivered to the Registrar of Companies. In respect of these statutory accounts, the auditors have given a report which was unqualified and did not contain a statement under Section 237(2) or (3) of that Act.

**11. Documents available for inspection**

Copies of the following documents will be available for inspection at the offices of Herbert Smith, Exchange House, Primrose Street, London EC2A 2HS, and at the Company’s registered office, 4 Buckingham Gate, London SW1E 6JP during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) while the Acquisition remains open for acceptance.

- (i) the Memorandum and Articles of lastminute.com;
- (ii) the material contracts referred to in paragraph 5 of this Part IV;
- (iii) the service contracts referred to in paragraph 6 of this Part IV;
- (iv) the written consents referred to in paragraph 10 of this Part IV;
- (v) the Acquisition Agreement and Placing Agreements;
- (vi) the listing particulars relating to the issue of Consideration Shares issued in connection with the acquisition of holiday autos group limited and Placing Shares issued in connection with the Placing;
- (vii) the audited consolidated accounts of lastminute.com for the three financial years ended 30 September 2002;
- (viii) the audited consolidated accounts of holiday autos for the two financial years ended 31 October 2002;
- (ix) the Statement of Adjustments letter;
- (x) the reports prepared by Ernst & Young LLP set out in Parts II and III of this document;
- (xi) the irrevocable undertakings to vote in favour of the resolutions at the Extraordinary General Meeting referred to in Part I of this document; and
- (xii) this document.

27 March 2003

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Notice of Extraordinary General Meeting

# lastminute.com plc

(registered in England and Wales No. 3852152)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Cazenove, 20 Moorgate, London, EC2R 6DA at 10.00 a.m. on 16 April 2003 for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

THAT:

1. (a) the proposed Acquisition as described in the circular to lastminute.com plc's shareholders dated 27 March 2003, a copy of which has been produced to the meeting for the purpose of identification only (the "Circular") and on the terms and subject to the conditions of the Acquisition Agreement (as defined in the Circular), be and is hereby approved and the Directors of the Company (or a duly authorised committee thereof) be and they are hereby authorised to take all such steps as may be necessary or appropriate in relation thereto and to carry the same into effect with such modifications, variations, revisions, waivers or amendments (providing such modifications, variations, revisions, waivers or amendments are not of a material nature) to the Acquisition Agreement or any other relevant documents as they shall deem necessary, expedient or appropriate; and
- (b) in addition to all existing such authorities, the Directors (or a duly authorised committee thereof) be authorised in accordance with section 80 of the Companies Act 1985 to exercise the powers of the Company to allot, 27,191,771 new ordinary shares of the Company, to rank *pari passu* in all respects with the existing ordinary shares, as part consideration for the Acquisition.

Dated: 27 March 2003

*Registered Office:*  
4 Buckingham Gate  
London SW1E 6JP

By order of the Board  
Simon Watkins  
*Secretary*

Notes:

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of them. A proxy need not be a member of the Company. To be valid the form of proxy and (unless previously registered with the Company) the power of attorney or other authority (if any) under which it is signed (or duly certified copy thereof) must be delivered to the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the meeting:

1. The return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.
2. Shareholders must be entered on the Company's register at 10.00 a.m. on 14 April 2003 in order to be entitled to attend and vote at the meeting. Such shareholders may only cast votes in respect of shares held at such time.

