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The Directors of ADDleisure Plc, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the rules for AIM published by the London Stock Exchange plc ("AIM Rules"). To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document and/or the invitation contained in it, no person is authorised to give any information or make any representation other than contained in this document.

Application has been made for the Existing Ordinary Shares, the Existing Warrants, the Placing Shares and the Warrants to be admitted to trading on the AIM market of the London Stock Exchange plc ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority ("Official List"). A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The AIM Rules are less demanding than those of the Official List. Neither the United Kingdom Listing Authority nor the London Stock Exchange plc has examined or approved the contents of this document. No application is being made for admission of the Existing Ordinary Shares, the Existing Warrants, the Placing Shares or the Warrants to the Official List nor any other recognised investment exchange. It is expected that trading in the Existing Ordinary Shares, the Existing Warrants, the Placing Shares and the Warrants will commence on AIM on 25 October 2004.

A copy of this document, which comprises a prospectus drawn up in accordance with the Public Offers of Securities Regulations 1995, as amended, (the "POS Regulations") has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART I OF THIS DOCUMENT.

ADDleisure Plc

(Incorporated and registered in England and Wales with registered number 4466195)

**Placing of 30,000,000 Placing Shares at 5p per share
together with one Warrant for every two Placing Shares
incorporating an Offer for Subscription
to shareholders and warrant holders of Westside Acquisitions plc
of 3,000,000 Offer Shares at 5p per share
together with one Warrant for every two Offer Shares
Admission to trading on the AIM market**

Nominated Adviser
Seymour Pierce Limited

Broker
Seymour Pierce Ellis Limited

Seymour Pierce Limited, which is authorised and regulated by The Financial Services Authority in the United Kingdom, is acting as nominated adviser to the Company in connection with the proposed admission of the Existing Ordinary Shares, the Existing Warrants, the Placing Shares and the Warrants to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares or Warrants in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Seymour Pierce Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Seymour Pierce Limited will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document nor for advising them on the contents of this document or any other matter.

Seymour Pierce Ellis Limited, which is authorised and regulated by The Financial Services Authority in the United Kingdom, is acting as broker to the Company in connection with the proposed admission of the Existing Ordinary Shares, the Existing Warrants, the Placing Shares and the Warrants to trading on AIM. Seymour Pierce Ellis Limited will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document nor for advising them on the contents of this document or any other matter.

The Existing Ordinary Shares, the Existing Warrants, the Placing Shares (including the Offer Shares) and the Warrants have not been, nor will they be, registered under the United States Securities Act of 1933 (as amended). Accordingly, such shares and warrants may not be offered, sold, renounced, taken up or delivered, directly or indirectly, in or into the United States of America. This document does not constitute an offer, or the solicitation of an offer to subscribe or buy any of the Existing Ordinary Shares, the Existing Warrants, the Placing Shares (including the Offer Shares) or the Warrants to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The Offer for Subscription is being made to Qualifying Stockholders only, being shareholders or warrant holders of Westside Acquisitions plc on the respective registers of Westside Acquisitions plc on 30 September 2004. The procedure for application is set out in Part VI of this document. To be valid, Application Forms must be completed and returned with the appropriate remittance by post or by hand (during normal business hours) to Capita IRG plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, as soon as possible and in any event so as to be received not later than 12.00 noon on 22 October 2004.

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ADMISSION STATISTICS

Issue Price	5p
Number of Existing Ordinary Shares	70,000,000
Number of new Ordinary Shares being issued pursuant to the Placing (which incorporates the Offer for Subscription)	30,000,000
Gross proceeds of the Placing and the Offer for Subscription receivable by the Company	£1,500,000
Proportion of enlarged issued share capital being issued under the Placing (which incorporates the Offer for Subscription)	30%
Number of Warrants being issued pursuant to the Placing and the Offer for Subscription	15,000,000
Number of Ordinary Shares in issue at Admission	100,000,000
Number of Warrants in issue at Admission	35,000,000
Market capitalisation of the Ordinary Shares on Admission at the Issue Price	£5 million
Estimated net proceeds of the Placing and the Offer for Subscription to be received by the Company (after taking into account the costs of the issue, including VAT)	£1.25 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Offer for Subscription	30 September 2004
Date of this document	12 October 2004
Latest time and date for the receipt of Application Forms and payment in full under the Offer for Subscription	12.00 noon on 22 October 2004
Admission and dealings commence in the Ordinary Shares and Warrants on AIM	25 October 2004
CREST accounts credited by	8.00 a.m. on 25 October 2004
Despatch of definitive share certificates and warrant certificates by	1 November 2004

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Allan Brian Henry Fisher, <i>Executive Chairman</i> David Turner, <i>Chief Executive</i> Benjamin Margolis, <i>Finance Director</i> David Steven Cummin, <i>Technical Director</i> Geoffrey Michael Simmonds, <i>Non-Executive Director</i>
Company Secretary:	Benjamin Margolis, ACA
Registered Office:	8 Baker Street London W1U 3LL
Nominated Adviser:	Seymour Pierce Limited Bucklersbury House 3 Queen Victoria Street London EC4N 8EL
Broker:	Seymour Pierce Ellis Limited Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ
Solicitors to the Company:	Finers Stephens Innocent 179 Great Portland Street London W1W 5LS
Auditors and Reporting Accountants:	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
Solicitors to the Placing:	Fortune Law Apollo House 56 New Bond Street London W1S 1RG
Financial PR:	St Brides Media & Finance Ltd 46 Bedford Row London WC1R 4LR
Registrars:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agents:	Capita IRG Plc Corporate Actions P.O. Box 166 The Registry 34 Beckenham Road Beckenham Kent BR3 4TH

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the Companies Act 1985 (as amended)
“ADD 2004”	ADDleisure 2004 Limited, a wholly owned subsidiary of the Company
“Admission”	the effective admission to trading on AIM of the Existing Ordinary Shares, the Existing Warrants, the Placing Shares (which include the Offer Shares) and the Warrants
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM published by the London Stock Exchange
“Application Form(s)”	the application form(s) accompanying this document for use by Qualifying Stockholders in connection with the Offer for Subscription
“Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company as at the date of this document
“Company” or “ADDleisure”	ADDleisure Plc
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited
“EMI Option(s)”	the enterprise management incentive option in respect of 2,000,000 Ordinary Shares which has been granted to Ben Margolis pursuant to the EMI Scheme and any further options which may be granted pursuant to the EMI Scheme
“EMI Scheme”	the Company’s share option scheme under the provisions of Chapter 9 of Part 7 and Schedule 5 of the Income Tax (Earnings & Pensions) Act 2003, a summary of which is set out in Part V of this document
“Executive Directors”	Allan Fisher, David Turner, David Cummin and Ben Margolis
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“Existing Warrants”	the Warrants granted at the date of this document
“EU”	means European Union
“Fitbug”	Fitbug Limited, a part owned subsidiary of the Company
“FSA”	The Financial Services Authority
“Group”	the Company and its subsidiaries from time to time
“Issue Price”	5p per Placing Share (and per Offer Share)
“IT”	information technology
“Liberation Fitness Systems”	Liberation Fitness Systems Limited, a company in which ADD 2004 holds 18,416 ordinary shares of 10p each, representing 28 per cent. of the issued ordinary share capital of such company together with a £100,000 8 per cent. convertible unsecured loan note 2005

“London Stock Exchange”	London Stock Exchange plc
“Offer Shares”	3,000,000 new Ordinary Shares to be made available to Qualifying Stockholders under the terms of the Offer for Subscription, which represent a part of the Placing Shares
“Offer for Subscription” or “Offer”	the conditional invitation from Seymour Pierce, on behalf of the Company, to Qualifying Stockholders to apply for Offer Shares at the Issue Price, together with the related Warrants, on the terms and conditions set out in Part VI of this document and in the accompanying Application Form
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 0.5p each in the capital of the Company
“Overseas Stockholders”	certain overseas shareholders and overseas warrant holders on the registers of Westside on the Record Date to whom Application Forms will not be sent as described in Part VI of this document
“Placing”	the conditional placing by Seymour Pierce Ellis on behalf of the Company of the Placing Shares subject to claw back to satisfy, amongst other things, valid applications under the Offer for Subscription at the Issue Price, together with the related Warrants, pursuant to the Placing Agreement as described further in this document
“Placing Agreement”	the conditional agreement dated 12 October 2004 between the Company (1) the Directors (2) RTI (3) Seymour Pierce (4) and Seymour Pierce Ellis (5) relating to the Placing and the Offer for Subscription, details of which are set out in paragraph 6.1 of Part V of this document
“Placing Shares”	30,000,000 new Ordinary Shares to be issued in connection with the Placing which incorporates the terms of the Offer for Subscription and therefore includes the Offer Shares
“Power Plate”	advanced vibration technology machines, further details of which are set out in Part I of this document
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“Qualifying Stockholders”	shareholders and warrant holders of Westside on the respective registers of Westside on the Record Date, other than Overseas Stockholders
“Record Date”	30 September 2004
“RTI”	Reverse Take-Over Investments plc, a wholly owned subsidiary of Westside
“Seymour Pierce”	Seymour Pierce Limited, the nominated adviser to the Company pursuant to the AIM Rules
“Seymour Pierce Ellis”	Seymour Pierce Ellis Limited, the broker to the Company pursuant to the AIM Rules
“Shareholders”	holders of Existing Ordinary Shares
“SMS”	short message service

“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the United Kingdom Listing Authority, being the FSA, acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
“US” or “USA”	the United States of America
“USB”	Universal Serial Bus
“Warrant Instrument”	the warrant instrument of the Company dated 19 July 2004 as amended by a deed dated 4 October 2004 constituting the Warrants
“Warrants”	60,000,000 warrants to subscribe for new Ordinary Shares at 5p per new Ordinary Share, of which 15,000,000 warrants are to be issued pursuant to the Placing and Offer for Subscription (as appropriate) and 3,000,000 warrants are to be issued to Seymour Pierce together with the 17,000,000 Existing Warrants in issue at the date of this document, further details of which are set out in Part V of this document
“Westside”	Westside Acquisitions plc

PART I

INFORMATION ON THE GROUP

INTRODUCTION

ADDleisure is a holding company established to capitalise on new opportunities in the leisure, health and fitness sectors.

The leisure market and, in particular, the health and fitness sector, has experienced significant growth in the last 5 years. Most of this growth has been in facility supply, an area where the Executive Directors have extensive experience. However, the Directors believe that as a consequence of the growth in supply of leisure venues, pricing and service have become the main distinguishing factors between operators. The Directors believe this creates an opportunity in two key areas:

- First, where pricing is highly competitive, the Directors believe operators will increasingly rely on technology and data management in order to support margins. The Executive Directors have experience both as users of IT in an operational environment and in the design and distribution of software and systems; and
- Secondly, the rapid growth in recent years in supply of leisure facilities has, the Directors believe, not been matched by the rate of product evolution. While the major leisure groups appear to concentrate on their model roll-out programmes or the need to enhance margins within their existing estates, the Directors believe a window of opportunity exists for entrepreneurs to develop highly differentiated leisure offerings.

The Directors believe that the press and government focus in the UK on the health of the nation, with particular emphasis on issues such as obesity, osteoporosis, exercise and healthy eating, has created an opportunity to develop and promote new initiatives in the leisure industry as a whole.

INVESTMENTS

Two initial investments have already been made that meet the criteria outlined above, further details of which are set out in this Part I below.

- Fitbug – owner of a lifestyle health and fitness product which, it is intended, will use technology to measure, motivate, manage and prescribe physical activity and diet for users; and
- Liberation Fitness Systems – owner of the distribution rights in the UK and Ireland to ‘Power Plate’. ‘Power Plate’ is an innovative fitness product that uses advanced vibration technology to stimulate muscular and circulatory responses.

The Company has equity investments in both of the above entities.

In July 2004, Allan Fisher, David Turner and David Cummin personally made a substantial financial investment of £500,000 in the Group through their subscription in ADD 2004.

THE HEALTH AND FITNESS SECTOR

Health Clubs and Leisure Centres

Between 1998 and 2003 membership of health and fitness clubs more than doubled to over 3.5 million people. In June 2004 it was estimated that in total there were some 6 million members of health and fitness facilities.

However, there is another significant aspect of the health and fitness market that the Directors believe has been overlooked. Approximately 90 per cent. of the population are non-gym members. In a survey carried out in 2000:

- 56 per cent. said that they would never join a gym;

- 18 per cent. of non-gym members preferred to exercise at home; and
- 33 per cent. cited cost as a reason for not joining a gym.

Given the apparent growing awareness of the UK public and the government of the deteriorating health of the nation, the Directors believe that health and fitness issues are likely to become more prominent.

Home Fitness

Since 1998, the in-home fitness equipment market in the United Kingdom has grown by almost 50 per cent. and market indicators and trade sources expect to see continuing growth. In 2003, in-home fitness sales in the UK were estimated to be worth more than £250 million per annum.

Independent market research provides the following statistics which, the Directors believe, support their opinion as to the potential of the in-home fitness market:

- 53 per cent. of UK adults have some form of fitness equipment in their home;
- The keenest group of exercisers perceive in-home fitness as an extension of their gym work-out;
- Only 13 per cent. of consumers say they would rather go to the gym than exercise at home;
- The less committed perceive it as a less expensive, more flexible alternative to the gym;
- The UK is expected to follow the US market which witnesses an average annual growth rate of 6.5 per cent. per annum; and
- The in-home fitness industry is already technologically aware and this is likely to have a positive impact on future prospects.

FITNESS AND OBESITY

Fitness

At a recent conference, Stuart Biddle, Professor of Exercise and Sports Psychology at Loughborough University asserted that encouraging people to work out in gyms several times a week will never be the full answer to the nation's fitness and obesity problems.

“We did not have gyms in this country in previous generations. In some senses they are a very artificial way of trying to help people to get more active. ... They serve a purpose for some people but they are not the answer for public health in general.”

Dr Thomas Stuttaford's recent article entitled “Why walking every day is the route to fitness” in The Times T2 section on 24 June 2004, claimed:

“The emphasis on gyms, sports stadiums and workouts is well intentioned but perhaps not the way to ensure a healthier Britain. The way to living longer and to be healthier and athletically fitter into old age is to take regular steady exercise every day. Twenty minutes to half an hour's brisk walk a day - preferably all in one go - is enough. If there is any specific suggestion, or threat, of cardiovascular disease or diabetes, twice this amount of walking is recommended. If someone cannot manage this modest daily exercise regime then they should aim to clock up 10,000 steps every day - taken as they go about their ordinary tasks”.

Obesity

The UK is suffering from the detrimental physical and financial effects of having an overweight and inactive population.

Sir Liam Donaldson, the UK Government's Chief Medical Officer, delivered a report in 2004 with the following stark message:

“The point is to get the whole country on the move ... people need to stay active over the whole of their lives if they are to stave off the threat of obesity and killer diseases.”
(Sir Liam Donaldson).

In his report he included the following highlights:

- 66 per cent. of men and 75 per cent. of women are not exercising enough to stave off potentially fatal diseases;
- Exercise reduces the risk of heart attack, colon cancer and diabetes by 50 per cent.;
- 63 per cent. of obese children carry the problem into adulthood;
- 33 per cent. of cancers in 2020 will be caused by obesity; and
- It is well recognised that overweight and obesity increase the risk of coronary heart disease, as well as diabetes, high blood pressure and osteoarthritis.

The Internet

The Directors believe the internet will play an integral part in the offering of new products and services to the health and fitness industry. The UK has one of the fastest growing broadband enabled populations in the world and by the end of 2003, there were over 3 million broadband subscribers in the UK.

OVERVIEW

From the above facts, the Directors believe that the following conclusions can be drawn:

- There is likely to be a government backed campaign to get the nation active. This will support many health and fitness initiatives;
- Both gym and non-gym members need education, instruction, feedback and motivation;
- Fitness operators need tools to understand, engage, and manage their membership base;
- The internet is now mature enough to play an integral role in enterprises in the health and fitness industry; and
- Fitness clubs will only provide solutions to a small percentage of the population and alternative non-club based solutions will grow in importance.

CURRENT INVESTMENTS

FITBUG LIMITED

Fitbug: The Product

Fitbug is intended to be a lifestyle club employing innovative technology to help its members take control of their lifestyles. The Company's subsidiary ADD 2004 owns 75 per cent. of the issued share capital of Fitbug, the balance of which is owned by the founding management of Fitbug.

Fitbug's fully developed product employs the simple medium of an 'intelligent' pedometer with an integral memory and USB connection as its hub. The pedometer has been sourced from a leading Japanese manufacturer. It is intended Fitbug will provide activity prescription, progress monitoring, motivating feedback and regular communications to its members ("the Bug"). The Bug will allow two-way communication between the member and the virtual club, via an interactive and informative web site and regular electronic communications. This relationship will enable the on-line tracking of members to help them achieve their activity and exercise levels whilst managing their diet and nutrition requirements.

Fitbug has registered the trade mark for Fitbug in the UK and will make further trade mark applications where appropriate.

The Directors believe that the Bug is unique in that it merges a simple electronic device with web technology to deliver practical, achievable and affordable solutions. Pedometers exist, as do websites, however it is the built in memory and the USB connection of the Bug together with the content based portal that provides an innovative combination, defining the product as a monthly lifestyle club and not merely as a pedometer sale.

Fitbug: Marketing and Sales

The Directors have identified 4 key market opportunities for Fitbug all of which they believe will generate revenue opportunities:

1. Retail subscription and membership sales – Fitbug’s business plan includes direct sales via the internet supported by a high profile marketing campaign. Parallel to the direct sales roll-out, key retail partners are being targeted to complete the UK distribution programme. The Directors currently envisage that a monthly subscription will start at less than £10.
2. Home fitness equipment integration – Developing hardware integration linking the Bug’s in-built memory to control home equipment and activity. This will enable the control of equipment, the collection of performance data and the ability to motivate members to extend their home fitness activities.
3. The fitness club sector – Using fitness equipment integration, Fitbug’s range of product and service offerings should provide fitness club operators with 3 key benefits - revenue generation, member experience and club operations. As well as in-club product sales, the Bug would enable operators to monitor member activity, using key member insight to reduce attrition rates. It could provide an ability to get a greater understanding of members’ minds and lifestyles, even when away from the club, leading to increased club loyalty. Marketing to the industry will build on the Directors’ current industry relationships and current member retention management systems.
4. Occupational health – Building on established NHS and government initiatives, Fitbug will be a powerful resource for healthcare professionals, personal trainers and diet and nutrition professionals. By giving the ability to collect data, control equipment and communicate and motivate clients and patients, the Directors believe that the Bug can add a new dimension to GP referral programmes and personal training. In addition, the Directors believe that the Bug could aid post-operative rehabilitation by giving the healthcare professional full information feedback and control.

The Directors believe that the simple nature of the Bug will have an appeal to both existing gym users and to people who have never exercised before, the conditioned and un-conditioned member. It is intended that by helping people manage real issues in a simple manner it can be a tool to fight the obesity and weight loss epidemic as well as catering for individuals who want to benefit from a ‘healthier’ way of life.

Fitbug: Future Expansion

Whilst the early plans are principally for UK distribution, the Directors believe that the nature of the Bug’s proposition of data and information management through Fitbug’s website makes the business expandable internationally.

Further development opportunities could extend Fitbug’s communication to SMS messaging and other mobile phone applications. In addition, data collection, such as for heart rate and blood pressure, could increase the appeal of the product to other industry sectors.

Fitbug: Sales Launch

Following extensive website and integration development work over the next three months, it is planned to launch the fully interactive Fitbug product in January 2005 to take advantage of the ‘New Year resolution’ wave.

LIBERATION FITNESS SYSTEMS LIMITED

Power Plate: The Product

ADD 2004 currently owns 28 per cent. of the issued share capital of Liberation Fitness Systems and Allan Fisher is a member of its board. ADD 2004 also has a £100,000 8 per cent. convertible unsecured loan note 2005. At ADD 2004’s discretion this note may be converted which would result in ADD 2004 owning 42 per cent. of the issued share capital of Liberation Fitness Systems, on a fully diluted basis. It is a policy of

the board of Liberation Fitness Systems that any distributable profits will be fully distributed subject to the retention of funds required to finance the business and future growth.

Liberation Fitness Systems has secured the exclusive rights to distribute the 'Power Plate' range of products in the United Kingdom and the Republic of Ireland.

Advanced Vibration Technology

The Power Plate product produces a vibration through which energy is transferred to the human body. This mechanical stimulus produces a stretch reflex which, depending on the selected frequency, can vary from 30 to 50 times per second resulting in muscles constantly contracting very vigorously. The Power Plate products are expected to sell at a unit price of £2,500 to £5,000.

Exercise makes the body tired; rest allows it to recover. By repeating this process, the body adjusts to the effort, resulting in an increase in physical performance. This phenomenon, called super-compensation, similarly occurs when training on the Power Plate. However, the duration of training is much shorter, the effect is greater and hormonal production is increased. All of this is achieved with only a fraction of the stress on the locomotive system compared to conventional training methods.

Although originally developed to train elite athletes, it was soon discovered that Power Plate's Advanced Vibration Technology has benefits for physical therapy, longevity, anti-aging, sports rehabilitation, beauty/spa, alternative medicine and fighting osteoporosis.

The Power Plate was first introduced in the Netherlands in 1999 and today is licensed for distribution in over twenty-four countries including Italy, Spain, France, Japan, China, South Korea, Canada and the United States of America. It is widely used by professional sports teams, training centres, rehabilitation/medical facilities, gyms and private home users.

Benefits of Body Vibration

The Power Plate can enhance fitness by aiding increased flexibility and accelerating weight loss and can help eliminate stress and reduce the appearance of cellulite.

The Power Plate also has many clinical applications. It can, amongst other things, reduce lower back pain, increase bone density and, most importantly, fight osteoporosis.

Power Plate: Marketing and Sales

The Directors believe there to be a viable commercial and home-user market for the Power Plate product in the United Kingdom and the Republic of Ireland because it is an innovative product and different from traditional exercise equipment. Supported by research and peer-reviewed literature, the Power Plate provides a solution to the time constraints of conventional exercise methodology.

The Directors believe that the Power Plate is appropriate for the health and fitness market, the spa and wellness market, the clinical market and, finally, the home user.

The Directors believe that Power Plate will develop marketing, training and programme collateral to support the commercial market and will embark on a market awareness public relations and marketing campaign to support sales. Power Plate in a fitness club environment has been shown to establish recurring secondary revenues and generate an incremental membership base and reduce attrition.

The Directors intend to use their extensive industry connections and established dealer networks to exploit the sales potential of the Power Plate.

CURRENT TRADING, PROSPECTS AND INVESTMENTS

To date, the Company and its subsidiaries have primarily been engaged in making investments and planning for the development of the Group's business. The Power Plate is expected to start producing revenue for the Group at the end of 2004 and Fitbug is expected to start producing revenue at the beginning of 2005.

On 19 July 2004, the Company acquired the entire issued share capital of ADD 2004, further details of which are set out in Part V of this document. On 6 August 2004, ADD 2004 subscribed for 75 per cent. of the issued share capital of Fitbug, being 1,080 ordinary shares of £1 each, for an aggregate cash subscription of £75,000.

On 9 August 2004, ADD 2004 subscribed for 28 per cent. of the issued share capital of Liberation Fitness Systems, being 18,416 ordinary shares of 10 pence each, for an aggregate cash subscription of £1,842. On 10 August 2004, ADD 2004 advanced £100,000 to Liberation Fitness Systems, by way of an unsecured 8 per cent. convertible loan note 2005 which it is intended will be converted, at the discretion of ADD 2004, into ordinary shares which will result in ADD 2004 having an aggregate shareholding of 42 per cent. of the issued share capital of Liberation Fitness Systems, on a fully diluted basis.

The Directors believe that Fitbug and Liberation Fitness Systems will be revenue generating in 2005.

DIRECTORS

The directors of the Company and their roles are as follows:

Executive Directors

Allan Fisher BCom, MBA, (aged 62) Executive Chairman

Allan trained as an accountant before obtaining an MBA from Columbia University and held a number of finance related positions. He was a founder member of Health Club Holdings Limited (formerly Holmes Place plc) and he was its chief executive when it was floated on the Official List in 1997. He is a non-executive director of Health Club Holdings Limited and holds the position of chairman of Health and Fitness International Holdings NV (Holmes Place Eastern Mediterranean).

David Turner (aged 58) Chief Executive

David trained as a surveyor. He was a founder member of LA Fitness plc in 1996 and was the property and corporate development director, with responsibility for new projects, for all site selection, acquisition and development as well as scheduling and delivering capital projects, when LA Fitness plc was floated on the Official List in 1999. He is an executive director of LA Fitness plc and will become a non-executive director on 1 November 2004.

David founded his first fitness club, City Squash, in 1979 and also founded Market Sports, a 5-a-side football club business, and Club Zebra, an interactive health and fitness TV channel run as a joint venture with LA Fitness plc, BUPA and Video Networks Limited on Homechoice TV. In addition, David has acted as a consultant to a number of organisations including Blue Circle Industries plc and the Port of London Authority, the forerunner of the Docklands Development Corporation.

David Cummin (aged 41) Technical Director

David has more than 22 years of experience in developing and marketing technology related to the leisure industry. He was a founder member and director of Membertrack Limited, a leading club membership software provider. Membertrack was first to market its Windows based solutions in 1992 and was later sold to Gladstone plc in 2000. David is currently developing next generation booking software aimed at the international leisure and spa market places.

Ben Margolis BA ACA (aged 34) Finance Director

Ben qualified as a chartered accountant in 1994 with Levy Gee (now Numerica plc). He was employed by Whitbread Plc from 1995 until 1998 in various roles including brand finance manager for Marriott Hotel & Country Clubs with responsibility relating to the roll out of the Marriott Hotels brand across the UK following the acquisition by Whitbread of the master franchise rights.

Ben was then employed by Marriott International Inc. from 1998 to 2003 where he held a number of senior finance and marketing positions including regional director of finance, Marriott Vacation Club International, Europe & Middle East.

Non-Executive Director

Geoffrey Simmonds FCA (aged 61) *Non-Executive Director*

Geoffrey is a non-executive director of the Company and is chief executive officer of both Westside and RTI and he is non-executive chairman of York Pharma Plc. He qualified as a Chartered Accountant in 1966. He has had extensive involvement and experience in corporate and strategic planning, acquisitions and finance.

He holds various other private company directorships and was one of the founder shareholders and directors of United Trust & Credit Plc (now part of Carlisle Holdings Limited), UTC Trading Corporation Plc (subsequently renamed Hemingway Properties Plc) and Chelsea Flowers Plc (now part of Game Group Plc).

DETAILS OF THE PLACING AND ADMISSION

Seymour Pierce Ellis has agreed, pursuant to the Placing Agreement to use its reasonable endeavours to place conditionally, *inter alia*, on Admission, the Placing Shares together with one Warrant for every two Placing Shares. Of the Placing Shares, 22,100,000 have been placed firm with institutional and other investors by Seymour Pierce Ellis, as agent for the Company, at the Issue Price and 7,900,000 of the Placing Shares have been placed with Westside, subject to clawback to satisfy valid applications by Qualifying Stockholders under the Offer for Subscription and for such further places as may be procured by Seymour Pierce Ellis.

Further details of the Offer for Subscription are set out below.

Application has been made for the Existing Ordinary Shares, the Existing Warrants, the Placing Shares (which incorporate the Offer Shares) and all the Warrants to be traded on AIM. Dealings in the Existing Ordinary Shares, the Placing Shares (which incorporates the Offer Shares) the Existing Warrants and the Warrants are expected to commence at 8.00 a.m. on 25 October 2004.

The Placing Shares and the Warrants will be placed free of expenses and the Placing Shares will rank equally in all respects with the Existing Ordinary Shares including in respect of all dividends and other distributions declared paid or made after the date of issue. The Warrants will rank equally in all respects with the Existing Warrants in issue including in respect of the exercise price and exercise period.

Further details of the Placing Agreement are set out in paragraph 6.1 of Part V of this document.

DETAILS OF THE OFFER FOR SUBSCRIPTION

Participation by Shareholders and Warranholders of Westside

Westside, through its wholly owned subsidiary RTI, currently owns 20,000,000 Existing Ordinary Shares and 3,000,000 Existing Warrants. As previously advised by Westside, all shareholders and warranholders of Westside will, wherever possible, be offered the opportunity to participate in any future public fundraisings of RTI subsidiaries where a prospectus which complies with the POS Regulations is to be published.

Accordingly, Qualifying Stockholders are being offered up to 3,000,000 Offer Shares under the Offer for Subscription, subject to the terms and conditions set out in this document and the Application Form.

APPLICATIONS, WHICH MUST BE FOR A MINIMUM OF 10,000 OFFER SHARES AND 5,000 WARRANTS AT A COST OF £500. APPLICATIONS MUST BE MADE THEREAFTER IN MULTIPLES OF 10,000 OFFER SHARES AND RELATED WARRANTS. APPLICATIONS MUST BE RECEIVED BY CAPITA IRG FROM QUALIFYING STOCKHOLDERS BY 12.00 NOON ON 22 OCTOBER 2004.

Details regarding the undertaking which has been given by Geoffrey Simmonds to subscribe for up to 100,000 Offer Shares, as a shareholder and warranholder in Westside are set out in paragraph 6.6 of Part V of this document.

Seymour Pierce, as agent on behalf of the Company, is offering Qualifying Stockholders, the right to subscribe for up to 3,000,000 Offer Shares at the Issue Price together with 1,500,000 Warrants on the basis of one Warrant for every two Offer Shares, payable in full on application under the Offer for Subscription.

In the event that the Offer for Subscription is not fully subscribed by Qualifying Stockholders, then Westside has agreed to subscribe for the balance of any Offer Shares which remain unsubscribed.

If the Offer for Subscription is over-subscribed, allocations of the Offer Shares will be scaled back at the sole discretion of Seymour Pierce and the Company. Applications must be made on an Application Form accompanying this document and must be completed and returned by post or by hand to Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, as soon as possible and in any event to be received no later than 12.00 noon on 22 October 2004.

The Company and Seymour Pierce reserve the right to reject, in whole or in part, or to scale down or limit any application for Offer Shares as they shall, in their absolute discretion, think fit. The Offer Shares and the associated Warrants will be offered to Qualifying Stockholders free of expenses and the Offer Shares will rank equally in all respects with the Existing Ordinary Shares in issue, including all rights to receive dividends and other distributions declared, paid or made after the date of issue. The Warrants will rank equally in all respects with the Existing Warrants in issue, including in respect of the exercise price and the exercise period.

The Offer for Subscription is conditional, *inter alia*, on the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms and on Admission.

For Qualifying Stockholders who request that Offer Shares and Warrants be issued in uncertificated form, it is expected, subject to the provision of the relevant information requested on the Application Form, that the Company's registrars will instruct CREST to credit the appropriate stock accounts of such persons with their entitlements to Offer Shares and related Warrants with effect from 25 October 2004.

In the case of Qualifying Stockholders wishing to hold Offer Shares and related Warrants in certificated form, definitive certificates for the Offer Shares and Warrants are expected to be despatched by post not later than 1 November 2004. Pending despatch of the definitive share or warrant certificates, transfers of Ordinary Shares and Warrants will be certified against their respective registers. All documents or remittances sent by or to an applicant (or his/her agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

Further information on the Offer for Subscription, including the detailed procedure for acceptance and payment, which must be received by no later than 12.00 noon on 22 October 2004, is set out in Part VI of this document and on the Application Forms. Your attention is also drawn to the summary of the principal terms of the Placing Agreement set out in paragraph 6.1 of Part V of this document.

Dealings in the Existing Ordinary Shares, the Existing Warrants, the Placing Shares (including the Offer Shares) and the Warrants are expected to commence on AIM at 8.00 a.m. on 25 October 2004.

PLACING AND USE OF THE PROCEEDS

The Company is seeking to raise £1,500,000 (before expenses) by way of the Placing, which incorporates the Offer for Subscription. The Placing Shares (which incorporate the Offer Shares) to be issued in connection therewith will represent 30 per cent. of the issued ordinary share capital of the Company on Admission. The net proceeds of the Placing (which incorporates the Offer for Subscription) are expected to be approximately £1,250,000 and will be used by the Group as follows:

- £750,000 for future investment opportunities; and
- £500,000 for general working capital.

LOCK-INS AND ORDERLY MARKET ARRANGEMENTS

Allan Fisher, David Turner, David Cummin, Geoffrey Simmonds and RTI have entered into lock-in undertakings pursuant to the Placing Agreement under which they have undertaken to the Company, Seymour Pierce and Seymour Pierce Ellis that they will not dispose of any interest in any Ordinary Shares or Warrants held by them or any interests arising therefrom for a period of twelve months from Admission

except in certain limited circumstances permitted by the AIM Rules. These lock-in undertakings also contain certain orderly market provisions for a further twelve months after the expiry of the 12 month lock-in period.

Westside has entered into a lock-in undertaking under which it has undertaken to the Company and Seymour Pierce Ellis that it will not dispose of any interest in any Ordinary Shares or Warrants held by it or any interests arising therefrom for a period of twelve months from Admission except in certain limited circumstances permitted by the AIM Rules. This lock-in undertaking also contains certain orderly market provisions for a further twelve months after the expiry of the 12 month lock-in period.

Further details of the Placing Agreement and the undertaking referred to above are set out in paragraphs 6.1 and 6.5 of Part V of this document.

DIVIDEND POLICY

The Directors intend to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the availability of the Company's distributable profits and the retention of funds required to finance future growth.

EMI OPTIONS

On 4 October 2004, the Company entered into the EMI Option, the main provisions of which are summarised in paragraph 8 of Part V of this document. In addition further EMI Options may be granted to directors and employees of the Group at not less than the market value of the Ordinary Shares at the time of grant which, when aggregated with the EMI Option, will not exceed the aggregate of ten per cent. of the Company's then issued ordinary share capital from time to time.

CORPORATE GOVERNANCE

The Board recognises the importance of sound corporate governance and the Directors intend to ensure that the Company adopts policies and procedures which reflect the principles of Good Governance and Code of Best Practice as published by the Committee on Corporate Governance (commonly, known as "the Combined Code") as are appropriate to the Company's size on Admission. At the appropriate time an audit committee and a remuneration committee will be constituted.

The Directors intend to comply with Rule 19 of the AIM Rules relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Group's applicable employees.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles provide for the Directors to implement procedures that will permit the holding of Ordinary Shares and Warrants in uncertificated form in accordance with The Uncertificated Securities Regulations (2001). The Company has applied for the Ordinary Shares and Warrants to be admitted to CREST and it is expected that they will be so admitted and accordingly enabled for settlement in CREST, as soon as practicable after Admission. CREST is a voluntary system and holders of Ordinary Shares and Warrants who wish to receive and retain share or warrant certificates will be able to do so. Subscribers for Ordinary Shares and Warrants under the Placing and the Offer for Subscription may, however, elect to receive their Ordinary Shares and Warrants in uncertificated form if, but only if, that person is a "system member" as defined in The Uncertificated Securities Regulations (2001) in relation to CREST.

Further information is set out in the placing letters issued in connection with the Placing and in the Application Form.

It is expected that share and warrant certificates, for those that wish to receive them, will be posted to persons who subscribe for Ordinary Shares and Warrants pursuant to the Placing and Offer for Subscription by 1 November 2004.

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Investment risk and AIM

Potential investors should be aware that the value of shares can go down as well as up and that an investment in a share which is to be traded on AIM may be less realisable and may carry a higher degree of risk than an investment in a share quoted on the Official List. The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Group and others of which are extraneous. It may be difficult for an investor to sell his or her Ordinary Shares and he or she may receive less than the amount paid by him or her for them. The Ordinary Shares may not be suitable for short-term investment.

Key Personnel

The Group is dependent on key members of staff and the loss of these key members for any reason could significantly affect the Company in the short to medium term. There is a risk that the Company may have difficulty in retaining or recruiting personnel with appropriate skills that are essential to the implementation of the Group strategy.

Requirement for further funds

There may be a requirement for the Company to raise further funds in the future in order to fully exploit the opportunities available and to fund expansion of the Group. Such a funding requirement may be by way of the issue of further Ordinary Shares on a non pre-emptive basis. There is no commitment in place guaranteeing that any funds required in the future will be available and, if further equity finance is raised, existing shareholdings may be diluted.

Limited trading history

The Group has only a limited operating history and it is therefore difficult to evaluate its business and future prospects. For example, it is difficult to predict whether the market will accept the Group's products and the level of turnover the Group can expect to derive from its products. There is no guarantee that anticipated sales will be achieved.

The Group is not profitable and may continue to incur losses

The Group has experienced losses from operations in each period since its inception. If turnover does not increase substantially or if expenses increase more than expected, the Group will not be profitable. Substantial resources are anticipated to be expended on product development, sales and marketing and administration and consequently the Group may not be profitable for the foreseeable future.

Operating results are volatile and difficult to predict

Operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside the Group's control. These factors include seasonal and economic patterns and trends which may affect the markets for the products and services the Group offers.

In addition, anticipated profits rely on the Group being able to maintain, if not increase, profit margins through greater purchasing power which may not be achieved.

Technological changes

Unless the Group is able to respond to further technological advances and emerging industry standards and practices on a cost-effective and timely basis, it may not be able to respond to competitive challenges effectively.

Brand recognition

Establishing, enhancing and maintaining the “Fitbug” brand is fundamental to the Group’s efforts to attract and expand its customer base. Promotion of the Fitbug brand will depend largely on personal recommendations and repeat business based on the Group’s success in providing a high-quality on-line experience supported by a high level of customer service. Marketing and advertising expenditures may not be effective to promote the brand. Even if recognition of the brand increases, it may not lead to an increase in the number of customers.

Domain names

The Group may not be able to acquire or maintain the appropriate domain name in all countries in which it operates or into which it may seek to expand its operations. Companies with similar domain names and which offer similar products or services may impair the Group’s ability to compete effectively on the internet or use the Fitbug brand in one or more jurisdictions and, if the brand name is confused with theirs and their products and services are inferior, it may dilute the value of the brand and damage the Group’s reputation.

Intellectual property and content liability

Much of the Group’s content and technology is proprietary and the Group tries to protect its intellectual property rights by relying on trademark and copyright protection and confidentiality laws and contracts. Policing unauthorised use of proprietary information is difficult and expensive, likewise, the Group may find itself subject to legal action in respect of infringement of intellectual property rights of other persons offering similar products or services or similar trademarks or intellectual property.

Government regulation relating to e-commerce

Due to the global nature of the internet, it is possible that, although the servers and infrastructure used to provide the Group’s services are based in the United Kingdom and transmission by the Group of the content over the internet originates primarily in the United Kingdom, the governments of other countries might attempt to regulate the content of the Group’s website or transmissions using its services or might prosecute the Group for violations of their laws. In addition, laws may vary to a substantial extent from country to country. The Group may therefore be obliged to comply with different legislative requirements which could restrict its ability to capture and use data that is of commercial value to it.

ADDITIONAL INFORMATION

Your attention is drawn to the information contained in the rest of this document.

PART II

ACCOUNTANTS' REPORT ON THE COMPANY



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
ADDleisure Plc
8 Baker Street
London
W1U 3LL

12 October 2004

The Directors
Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London
EC4N 8EL

Dear Sirs

ADDLEISURE PLC (“ADDLEISURE” OR THE “COMPANY”) AND ITS SUBSIDIARIES (TOGETHER THE “GROUP”)

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 12 October 2004 of ADDleisure (“the Prospectus”).

The Company was incorporated as RTI Fifteen Plc on 20 June 2002 and changed its name to ADDleisure Plc on 6 September 2004. On 19 July 2004, the Company acquired the entire issued share capital of ADDleisure 2004 Limited. ADDleisure 2004 Limited was incorporated on 4 June 2004 as ADDleisure Limited and changed its name to ADDleisure 2004 Limited on 6 September 2004.

Basis of preparation

The financial information is based on the audited consolidated financial statements of the Group for the two periods ended 31 July 2004 (the “Relevant Period”) to which no adjustments were considered necessary.

BDO Stoy Hayward LLP, Chartered Accountants and Registered Auditors, 8 Baker Street London W1U 3LL, have been auditors to the Group throughout the Relevant Period. Each of the audit reports throughout the Relevant Period was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of ADDleisure who approved their issue.

The directors of ADDleisure are responsible for the contents of the Prospectus 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 underlying the financial information. It 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 entity's circumstances, 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.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its consolidated results for the periods then ended.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraphs 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Basis of consolidation

The consolidated financial information incorporates the results of ADDleisure Plc and all of its subsidiary and associated undertakings as at 31 July 2004 using the acquisition method of accounting as required. Where the acquisition method is used, the results of the subsidiary undertakings are included from the date of acquisition.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which ranges from 10 to 20 years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial period following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Deferred tax balances are not discounted.

Consolidated profit and loss accounts

		<i>Period ended</i> <i>30 September</i> 2003 £000	<i>Period ended</i> <i>31 July</i> 2004 £000
	<i>Notes</i>		
Administrative expenses		–	(1)
Loss on ordinary activities before and after taxation	1, 9	–	(1)
Loss per share	3		
Basic		£nil	£nil
Diluted		£nil	£nil

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss accounts.

Consolidated balance sheets

		<i>As at</i> <i>30 September</i> 2003 £000	<i>As at</i> <i>31 July</i> 2004 £000
	<i>Notes</i>		
Fixed assets			
Goodwill	4	–	2,000
Current assets			
Cash at bank and in hand		25	600
Creditors: amounts falling due within one year	6	–	(1)
Net current assets		25	599
Total assets less current liabilities		25	2,599
Capital and reserves			
Called up share capital	8	25	350
Merger reserve	9	–	2,250
Profit and loss account	9	–	(1)
Shareholders' funds – equity	10	25	2,599

Consolidated cash flow statements

		<i>Period ended</i> <i>30 September</i> 2003 £000	<i>Period ended</i> <i>31 July</i> 2004 £000
	<i>Notes</i>		
Net cash flow from operating activities	12	–	–
Acquisitions and disposals			
Purchase of subsidiary undertakings	11	–	–
Cash acquired with subsidiaries	11	–	500
Cash flow before financing		–	500
Financing			
Issue of ordinary share capital		25	75
Increase in cash for the period	13	25	575

Notes to the consolidated financial information

1 Operating loss

	<i>Period ended 30 September 2003 £000</i>	<i>Period ended 31 July 2004 £000</i>
This is arrived at after charging:		
Auditors' remuneration (audit services)	—	1

2 Employees

There were no employees during the Relevant Period other than the directors.

None of the directors received any remuneration during the Relevant Period.

3 Loss per share

Due to the immaterial loss before tax made in each of the two periods ended 31 July 2004, the loss per share is so low as to be negligible.

4 Intangible assets

	<i>Goodwill on consolidation £000</i>
Cost	
As at 1 October 2003	—
Subsidiary undertaking acquired	2,000
As at 31 July 2004	2,000
Net book value	
As at 30 September 2003	—
As at 31 July 2004	2,000

5 Fixed asset investments

Subsidiary undertaking

The following was a subsidiary undertaking at 31 July 2004 and has been included in the consolidated financial information:

<i>Name</i>	<i>Country of incorporation or registration</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Nature of business</i>
ADDleisure 2004 Limited	UK	100%	Investment

ADDleisure 2004 Limited was acquired on 19 July 2004. Further details are set out in note 11. The country of operation is the same as its country of incorporation or registration.

6 Creditors

Amounts falling due within one year

	<i>As at 30 September 2003 £000</i>	<i>As at 31 July 2004 £000</i>
Accruals and deferred income	–	1

7 Financial instruments

Interest rate and currency of cash balances

Floating rate financial assets as at 30 September 2003; £25,000, 31 July 2004: £600,000; comprise sterling cash deposits held in a current account. There are no fixed rate financial assets.

8 Share capital

	<i>As at 30 September 2003</i>		<i>As at 31 July 2004</i>	
	<i>Number</i>	<i>£000</i>	<i>Number</i>	<i>£000</i>
Authorised				
Ordinary shares of 0.5p each	200,000,000	1,000	200,000,000	1,000
Allotted, called up and fully paid				
Ordinary shares of 0.5p each	400	–	70,000,000	350
Allotted, called up and a quarter paid				
Ordinary shares of 0.5p each	19,999,600	25	–	–
	20,000,000	25	70,000,000	350

Period ended 30 September 2003

The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, of which two were issued as subscriber shares.

On 19 December 2002, the authorised share capital of the Company was increased from £50,000 to £1,000,000 by the creation of 950,000 ordinary shares of £1 each and each of the issued and unissued ordinary shares of £1 each were sub-divided into 200 shares of 0.5p each.

On 19 December 2002, 19,999,600 ordinary shares were issued and allotted to Reverse Take-Over Investments plc at par value, as to one quarter paid up.

Period ended 31 July 2004

On 19 July 2004, Reverse Take-Over Investments plc paid up the outstanding monies due in respect of the 20,000,000 issued ordinary shares held by it, being the sum of £74,998.

On 19 July 2004, an aggregate of 50,000,000 ordinary shares were issued and allotted to Allan Fisher, David Turner and David Cummin in consideration of the transfer to the Company of the entire issued share capital of ADDleisure 2004 Limited, such ordinary shares being issued and allotted, credited as fully paid, at a price of 5p per share.

On 19 July 2004, the Company constituted a warrant instrument in respect of 40,000,000 warrants to subscribe for ordinary shares of 0.5p each in the capital of the Company at 5p per ordinary share. One warrant will be issued for every two ordinary shares subscribed pursuant to the Placing thus resulting in the issue of 15,000,000 warrants pursuant to the Placing. The warrants are exercisable at 5p per ordinary shares at any time until 19 July 2009. On 4 October 2004, the warrant instrument was amended to increase the number of warrants to 60,000,000.

On 19 July 2004, 3,000,000 warrants were issued to Reverse Take-Over Investments plc.

On 19 July 2004, an aggregate of 8,000,000 warrants were issued to Allan Fisher, David Turner and David Cummin as part of the consideration for the sale to the Company of the entire issued share capital of ADDleisure 2004 Limited.

On 30 July 2004, an aggregate of 6,000,000 warrants were issued to Allan Fisher, David Turner and David Cummin as further consideration for the sale to the Company of the entire issued share capital of ADDleisure 2004 Limited.

9 Reserves

	<i>Merger reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
Loss for the period	–	–	–
As at 30 September 2003	–	–	–
Arising on acquisition	2,250	–	2,250
Loss for the period	–	(1)	(1)
As at 31 July 2004	<u>2,250</u>	<u>(1)</u>	<u>2,249</u>

10 Reconciliation of movements in shareholders' funds

	<i>Period ended 30 September 2003 £000</i>	<i>Period ended 31 July 2004 £000</i>
At the beginning of the period	–	25
Issue of shares	25	325
Premium on shares allotted	–	2,250
Loss for the period	–	(1)
At the end of the period	<u>25</u>	<u>2,599</u>

11 Acquisition

On 19 July 2004, the Company acquired the entire issued share capital of ADDleisure 2004 Limited for a consideration of 50,000,000 shares of 5p each, having a fair value of £2.5m.

In calculating the goodwill arising on consolidation as at 31 July 2004, the provisional fair value of the net assets of ADDleisure 2004 Limited has been based on the following book values:

	<i>Acquisition £000</i>
Cash	
Book value and fair value	<u>500</u>
Net assets acquired	500
Goodwill	<u>2,000</u>
Purchase consideration	<u>2,500</u>
Satisfied by:	
Issue of shares	<u>2,500</u>

12 Reconciliation of operating loss to net cash flow from operating activities

	<i>Period ended 30 September 2003 £000</i>	<i>Period ended 31 July 2004 £000</i>
Operating loss	–	(1)
Increase in creditors	–	1
Net cash flow from operating activities	–	–

13 Reconciliation of net cash flow to movement in net funds

	<i>Period ended 30 September 2003 £000</i>	<i>Period ended 31 July 2004 £000</i>
Increase in cash in the period	25	575
Movement in net funds in the period	25	575
Net funds at the beginning of the period	–	25
Net funds at the end of the period (note 14)	25	600

14 Analysis of net debt

	<i>At start of the period £000</i>	<i>Cash flow £000</i>	<i>At end of the period £000</i>
Period ended 30 September 2003			
Cash in hand, at bank	–	25	25
Period ended 31 July 2004			
Cash in hand, at bank	25	575	600

15 Post balance sheet events

On 6 August 2004, Fitbug Limited issued 1,080 ordinary shares of £1 each to ADDleisure 2004 Limited for cash consideration of £75,000, as a result of which Fitbug Limited became a 75 per cent. owned subsidiary of ADDleisure 2004.

On 9 August 2004, Liberation Fitness Systems Limited issued 18,416 Ordinary Shares of 10p each to ADDleisure 2004 Limited for cash consideration of £1,842 representing 28 per cent. of the enlarged issued share capital of Liberation Fitness Systems Limited.

On 10 August 2004, Liberation Fitness Systems Limited issued £100,000 of 8 per cent. unsecured convertible loan stock to ADDleisure 2004 Limited.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART III

ACCOUNTANTS' REPORT ON FITBUG LIMITED



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
ADDleisure Plc
8 Baker Street
London
W1U 3LL

12 October 2004

The Directors
Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London
EC4N 8EL

Dear Sirs

FITBUG LIMITED (“FITBUG”)

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 12 October 2004 of ADDleisure Plc (“the Prospectus”).

Fitbug was incorporated on 29 January 2004.

Basis of preparation

The financial information is based on the audited financial statements of Fitbug for the period ended 31 July 2004 (the “Relevant Period”) to which no adjustments were considered necessary.

BDO Stoy Hayward LLP, Chartered Accountants and Registered Auditors, 8 Baker Street London W1U 3LL, were auditors to Fitbug in the Relevant Period. Their audit report was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of Fitbug who approved their issue.

The directors of ADDleisure Plc are responsible for the contents of the Prospectus 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 underlying the financial information. It 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 entity's circumstances, 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.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Fitbug as at the date stated and of its loss for the period then ended.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraphs 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax and is wholly attributable to the principal activity of Fitbug and arises solely within the United Kingdom.

Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Fixtures, fittings and equipment	–	33.3% per annum
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Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on the estimated selling price less additional costs to completion and disposal.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Profit and loss account

	<i>Period ended</i> <i>31 July</i> <i>2004</i> <i>£000</i>
Turnover	38
Cost of sales	24
	<hr/>
Gross profit	14
Administrative expenses	(75)
	<hr/>
Loss on ordinary activities before and after taxation	(61)
Reserves brought forward	–
	<hr/>
Reserves carried forward	(61)
	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

Balance sheet

	<i>As at</i> <i>31 July</i> <i>2004</i> <i>£000</i>
	<i>Notes</i>
Fixed assets	
Tangible assets	3
	<hr/>
Current assets	
Stock	4
Debtors	5
Cash at bank and in hand	4
	<hr/>
	40
Creditors: amounts falling due within one year	6
	<hr/>
Net current liabilities	(30)
	<hr/>
Total assets less current liabilities	(28)
Creditors: amounts falling due after more than one year	6
	<hr/>
	(60)
	<hr/>
Capital and reserves	
Called up share capital	8
Profit and loss account	9
	<hr/>
Shareholders' funds - equity	9
	<hr/>

Cash flow statement

	<i>As at</i> <i>31 July</i> <i>2004</i> <i>£000</i>
	<i>Notes</i>
Net cash inflow from operating activities	11
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(2)
	<hr/>
Cash inflow before financing	3
Financing	
Issue of ordinary share capital	1
	<hr/>
Increase in cash for the period	12
	<hr/>

Notes to the financial information

1 Employees

There were no employees during the period ended 31 July 2004 other than the two executive directors.

Staff costs for all employees, including executive directors, consist of:

	<i>Period ended 31 July 2004 £000</i>
Wages and salaries	17
Social security costs	4
	<hr/> 21

2 Directors

	<i>Basic salary £000</i>
Period ended 31 July 2004	
Paul Landau	9
Jason Peters	8
	<hr/> 17

Neither of the directors received any benefits in kind during the period.

3 Tangible assets

	<i>Fixtures, fittings and equipment £000</i>
Cost	
Additions and as at 31 July 2004	<hr/> 2
Depreciation	
Provided for the period	<hr/> –
Net book value	
As at 31 July 2004	<hr/> 2

4 Stock

	<i>As at 31 July 2004 £000</i>
Finished goods and goods held for resale	<hr/> 13

There is no material difference between the replacement cost of stock and the amount stated above.

5 Debtors

	<i>As at 31 July 2004 £000</i>
Trade debtors	2
Prepayments and accrued income	21
	<hr/> 23 <hr/>

All amounts fall due for payment within one year.

6 Creditors

Amounts falling due within one year

	<i>As at 31 July 2004 £000</i>
Directors' loan accounts	7
Other loans	10
Trade creditors	36
Other creditors	10
Tax and social security creditor	7
	<hr/> 70 <hr/>

Amounts falling due after more than one year

	<i>As at 31 July 2004 £000</i>
Other loans	32
	<hr/>

7 Financial instruments

Interest rate and currency of financial assets and liabilities

Floating rate financial assets as at 31 July 2004 of £4,000 comprise sterling cash deposits held in a current account. There are no fixed rate financial assets.

8 Share capital

	<i>As at 31 July 2004 £000</i>
Authorised	
360 ordinary shares of £1 each	1
	<hr/>
Allotted, called up and fully paid	
360 ordinary shares of £1 each	1
	<hr/>

On 29 January 2004, the Company issued 360 ordinary shares of £1 each for cash at par value.

9 Reconciliation of movements in shareholders' funds

	<i>As at 31 July 2004 £000</i>
Issue of shares	1
Loss for the period	(61)
At the end of the period	<u>(60)</u>

10 Related party transactions

During the period, Target Trackers Limited, a company in which Jason Peters and Paul Landau are the major shareholders and directors, charged Fitbug £39,000 for the provision of IT development services. As at 31 July 2004, an amount of £6,750 was due to Target Trackers Limited in respect of this transaction.

During the period ended 31 July 2004, Fitbug received the following loans from related parties, all of which were outstanding at the period end:

<i>Related party</i>	<i>Nature of relationship</i>	<i>As at 31 July 2004 £000</i>
Paul Landau	Director	5
Jason Peters	Director	2
David Cummin	Director of ADDleisure 2004 Limited	21
David Turner	Director of ADDleisure 2004 Limited	21
		<u>49</u>

ADDleisure 2004 Limited acquired a 75 per cent. holding in Fitbug in August 2004 (see note 14). All the above loans are interest free. There are no set repayment terms save for the remaining £16,000 loan from David Cummin and the remaining £16,000 loan from David Turner, which are both repayable 12 months following Admission or earlier if the directors of Fitbug Limited consider that Fitbug Limited has sufficient revenue to make such payments on a prudent basis.

11 Reconciliation of operating loss to net cash flow from operating activities

	<i>Period ended 31 July 2004 £000</i>
Operating loss	(61)
Increase in stocks	(13)
Increase in debtors	(23)
Increase in creditors	102
Net cash flow from operating activities	<u>5</u>

12 Reconciliation of net cash flow to movement in net funds

	<i>Period ended 31 July 2004 £000</i>
Increase in cash in the year	4
Net funds at the end of the period (note 13)	<u>4</u>

13 Analysis of net debt

	<i>Cash flow</i> <i>£000</i>	<i>At the end of</i> <i>the period</i> <i>£000</i>
Period ended 31 July 2004		
Cash in hand, at bank	4	4
Total	<u>4</u>	<u>4</u>

14 Post balance sheet events

On 6 August 2004, Fitbug issued 1,080 ordinary shares of £1 each to ADDleisure 2004 Limited for cash consideration of £75,000, as a result of which Fitbug became a 75 per cent. owned subsidiary of ADDleisure 2004 Limited.

On 10 August 2004, Fitbug repaid £5,000 to each of David Turner and David Cummin in respect of their loans.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited pro forma statement of net assets of the Group following the Placing and Offer for Subscription has been prepared for illustrative purposes only to provide information about the impact of the Placing and Offer for Subscription on the Group and, because of its nature, may not give a true reflection of the financial position of the Group. It has been prepared on the basis that the Placing and Offer for Subscription were undertaken as at 31 July 2004 and on the basis set out in the notes:

	<i>Adjustments</i>			<i>Pro forma net assets of the Group £000</i>
	<i>The Group As at 31 July 2004 (note 1) £000</i>	<i>Fitbug As at 31 July 2004 (note 2) £000</i>	<i>Other adjustments (note 3) £000</i>	
Fixed assets				
Intangible assets	2,000	–	64	2,064
Investment in and loan to associate	–	–	102	102
Tangible assets	–	2	–	2
	2,000	2	166	2,168
Current assets				
Stock	–	13	–	13
Debtors	–	23	–	23
Cash at bank	600	4	1,148	1,752
	600	40	1,148	1,788
Creditors: amounts falling due within one year	(1)	(70)	–	(71)
Net current assets (liabilities)	599	(30)	1,148	1,717
Total assets less current liabilities	2,599	(28)	1,314	3,885
Creditors: amounts falling due after one year	–	(32)	–	(32)
Net assets (liabilities)	2,599	(60)	1,314	3,853

Notes:

The unaudited pro forma statement of net assets has been prepared on the following basis:

1. The net assets of the Group at 31 July 2004 have been extracted from the Accountants' Report set out in Part II of this document.

Adjustments:

2. The net assets of Fitbug at 31 July 2004 have been extracted from the Accountants' Report set out in Part III of this document.
3. The other adjustments comprise:
 - (a) goodwill of £64,000 arising on the acquisition of Fitbug in August 2004. This assumes that the acquisition had taken place on 31 July 2004 and is based on the consideration of £75,000 plus the Group's share of the net liabilities of Fitbug at that date (which have been adjusted to reflect the Group's subscription for ordinary shares in Fitbug of £75,000). No account has been taken of any fair value adjustments that may be made to Fitbug's net assets;
 - (b) investment in associate comprises the Group's acquisition of 28 per cent. of the issued share capital of and the subscription of £100,000 8 per cent. convertible loan note in Liberation Fitness Systems in August 2004; and
 - (c) the adjustment to cash at bank comprises the gross proceeds of the Placing and Offer for Subscription of £1.5 million (less estimated expenses of £250,000) less the outflow from the Group's investment of £102,000 in Liberation Fitness Systems.
4. No adjustments have been made to reflect the trading results of the Group, Fitbug or Liberation Fitness Systems since 31 July 2004.

PART V

ADDITIONAL INFORMATION

1. INCORPORATION

- 1.1 The Company was incorporated in England and Wales on 20 June 2002 as a public limited company under the Act with the name RTI Fifteen Plc and with registered number 4466195. On 6 September 2004 the Company changed its name under the Act to ADDleisure Plc.
- 1.2 The Company's registered office is at 8 Baker Street, London W1U 3LL.
- 1.3 The Company is subject to the provisions of the Act.
- 1.4 The liability of the members of the Company is limited.

2. SHARE CAPITAL OF THE COMPANY

- 2.1 The authorised and issued share capital of the Company at the date of this prospectus, and at Admission, is/will be as follows:

	<i>Authorised</i>		<i>Issued and to be</i>	
	<i>Number of</i>		<i>issued, credited fully paid</i>	
	<i>Ordinary Shares</i>	<i>£</i>	<i>Number of</i>	<i>£</i>
			<i>Ordinary Shares</i>	
Current	200,000,000	1,000,000	70,000,000	350,000
Proposed	200,000,000	1,000,000	100,000,000	500,000

- 2.2 The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two were issued as subscriber shares to the subscribers to the Memorandum of Association. On 19 December 2002, the authorised share capital of the Company was increased from £50,000 to £1,000,000 by the creation of 950,000 ordinary shares of £1 each and each of the issued and unissued ordinary shares of £1 each was sub-divided into 200 ordinary shares of 0.5 pence each.
- 2.3 On 19 December 2002, 19,999,600 Ordinary Shares were issued and allotted to Reverse Take-Over Investments plc, at par value, as to one quarter paid up. On 19 July 2004, Reverse Take-Over Investments plc paid up the outstanding monies due in respect of the 20,000,000 issued Ordinary Shares held by it, being the sum of £74,998.
- 2.4 On 4 October 2004, the Directors were generally and unconditionally, for the purposes of Section 80 of the Act, authorised to allot 60,000,000 Ordinary Shares pursuant to the exercise of the Warrants and to also allot relevant securities up to an aggregate nominal amount of £325,000 such authority to expire at the conclusion of the next annual general meeting of the Company, or fifteen months after the date of such authority if earlier, save that the Company may, at any time before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
- 2.5 On 4 October 2004, the Directors were empowered pursuant to Section 95 of the Act to allot equity securities as if Section 89(1) of the Act did not apply to any such allotment made in accordance with paragraph 2.4 above. This authority expires at the conclusion of the next annual general meeting of the Company, or fifteen months after the date of such authority, if earlier, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.
- 2.6 On 19 July 2004, an aggregate of 50,000,000 Ordinary Shares were issued and allotted to Allan Fisher, David Turner and David Cummin in consideration of the transfer to the Company of the entire issued

share capital of ADD 2004, such Ordinary Shares being issued and allotted, credited as fully paid, at a price of 5 pence per share.

- 2.7 Save in connection with the Placing (which incorporates the Offer) or on the exercise of any of the Warrants, or as otherwise disclosed in this document, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- 2.8 The Company does not have in issue any security not representing share capital and there are no outstanding convertible securities issued by the Company.
- 2.9 The new Ordinary Shares to be issued pursuant to the Placing (which incorporates the Offer) will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive dividends or other distributions declared, paid or made on the ordinary share capital of the Company after Admission.

3. THE WARRANTS

- 3.1 On 19 July 2004, as amended by a deed of variation dated 4 October 2004, the Company constituted a warrant instrument in respect of 60,000,000 warrants to subscribe for ordinary shares of 0.5 pence each in the capital of the Company at 5 pence per Ordinary Share. One Warrant will be issued for every two Ordinary Shares subscribed pursuant to the Placing (which incorporates the Offer) thus resulting in the issue of 15,000,000 Warrants pursuant to the Placing (which incorporates the Offer). The Warrants are exercisable at 5 pence per Ordinary Share at any time until 19 July 2009.
- 3.2 On 19 July 2004, 3,000,000 of the Warrants were issued to Reverse Take-Over Investments plc.
- 3.3 On 19 July 2004, an aggregate of 8,000,000 Warrants were issued to Allan Fisher, David Cummin and David Turner as part of the consideration for the sale to the Company of the entire issued share capital of ADD 2004. On 30 July 2004, a further aggregate of 6,000,000 Warrants were issued to Allan Fisher, David Cummin and David Turner pursuant to the terms of a deed of variation entered into by the parties, as further consideration for the sale to the Company of the entire issued share capital of ADD 2004, further details of which are set out in paragraph 6 below.
- 3.4 On Admission, Seymour Pierce and Seymour Pierce Ellis will each receive 1,500,000 Warrants.
- 3.5 The issued Warrants of the Company at the date of this document, and at Admission, is or will be as follows:

	<i>Authorised Number of Warrants</i>	<i>Issued Number of Warrants</i>
Current	60,000,000	17,000,000
On Admission	60,000,000	35,000,000

- 3.6 At the date of this document and on Admission, so far as the Directors are aware, the only persons who are directly or indirectly, jointly or severally, interested in more than 3 per cent. of the Warrants are, and will be, as follows:

<i>Name</i>	<i>At the date of this document</i>		<i>On Admission</i>	
	<i>No. of Warrants</i>	<i>% of Warrants</i>	<i>No. of Warrants</i>	<i>% of Warrants</i>
Reverse Take-Over				
Investments plc ⁽¹⁾	3,000,000	17.65	3,000,000	8.57
Allan Fisher	4,666,666	27.45	4,666,666	13.33
David Turner	4,666,667	27.45	4,666,667	13.33
David Cummin	4,666,667	27.45	4,666,667	13.33
Seymour Pierce Limited	Nil	Nil	1,500,000	4.28
Seymour Pierce Ellis Limited	Nil	Nil	1,500,000	4.28

(1) The above assumes that none of the Warrants have been exercised at the date of Admission and that Westside does not subscribe for any of the Placing Shares (including the Offer Shares) and related Warrants.

3.7 The main terms of the Warrants are as follows:

3.7.1 *Subscription rights*

A holder of a Warrant (a “Warrantholder”) shall be entitled to subscribe in cash, at 5 pence per Ordinary Share (the “Subscription Price”) the subject of the Warrant payable in full on subscription, at any time from the date of issue of the Warrant and ending on the earliest (the “Final Subscription Date”) of (i) 19 July 2009, and (ii) subject to certain exceptions where a surplus would be available for distribution amongst the holders of Ordinary Shares, on a winding up of the Company. Ordinary Shares shall be allotted fully paid but shall not carry the right to participate in any dividend or other distribution declared, paid or made on the Ordinary Shares by reference to a record date before the relevant subscription date but shall otherwise participate in all dividends and other distributions in respect of the then current financial period of the Company and shall rank *pari passu* in all respects with the Ordinary Shares in issue on the relevant subscription date.

It is the intention of the Company to apply for the Ordinary Shares allotted pursuant to the exercise of a Warrant to be admitted to dealing on AIM and the Company will use all reasonable endeavours to obtain the grant of such admission not later than 14 days after the date of allotment.

3.7.2 *Adjustments and Takeovers*

If at any time or times before the Final Subscription Date:

- (a) the Company undertakes an Issue or Reorganisation (as defined in the Warrant Instrument), adjustments shall be made to the conditions governing the Warrants or the Subscription Price (provided that fractional entitlements shall be ignored and any adjustment shall not reduce the Subscription Price below the nominal value of an Ordinary Share) as the Auditors (as defined in the Warrant Instrument) shall determine and state to be fair and reasonable in all the circumstances;
- (b) the Company makes any offer or invitation to all Ordinary Shareholders (whether by rights issue, open offer or otherwise), or any offer or invitation is made to such holders otherwise than by the Company (not being a Takeover Offer (as defined in the Warrant Instrument)), then the Company shall, or so far as it is able, procure that at the same time an appropriate offer or invitation is made to the Warrantholders, then adjustments shall be made as in paragraph 3.7.2(a) above and any such adjustment shall become effective as at the date of or, as the case may be, the record date for the offer or invitation;
- (c) notwithstanding paragraph 3.7.2(a) above but subject to certain other provisions of the Warrant Instrument, if a Takeover Offer is made at any time or times before the Final Subscription Date, the Company shall give notice of the Takeover Offer to the Warrantholders at the same time as notice of the Takeover Offer is provided to the Ordinary Shareholders. The Company shall use its reasonable endeavours to procure that an appropriate offer is extended to the Warrantholders as if all outstanding Subscription Rights had been exercised immediately before the record date for that Takeover Offer on the terms then applicable. However, if the Company cannot procure such offer is made to the Warrantholders then adjustments shall be made as in paragraph 3.7.2(a) above and any such adjustment shall become effective as at the date of or, as the case may be, the record date for the Takeover Offer.

3.7.3 *Winding Up*

If an order is made or an effective resolution of the Company passed for the winding up of the Company (except on terms sanctioned by an extraordinary meeting of the Shareholders in which case the Company shall use its reasonable efforts to procure that the Warrantholder be granted a substitute warrant of equivalent value) each Warrantholder shall be treated as if immediately before the order or resolution the Subscription Rights had been exercised in full and accordingly each Warrantholder shall rank *pari passu* with the holders of Ordinary Shares and shall be entitled to receive such sum (less the aggregate Subscription Price) he would otherwise have received out of the assets available in the liquidation.

3.7.4 Restrictions on the Company

Save with the sanction of an extraordinary resolution of the holders of the Warrants or the consent in writing of the Warrantholders entitled to not less than three quarters of the Ordinary Shares the subject of the Warrants, the Company shall, whilst any Warrant remains outstanding:

- (a) not make any distribution of capital reserves (except by means of a capitalisation issue in the form of fully paid Ordinary Shares following which adjustments shall be made in accordance with the provisions summarised in paragraph 3.7.2(a) above);
- (b) not modify the rights attaching to the Ordinary Shares or create or issue any new class of equity share capital which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the Ordinary Shares;
- (c) procure that no issued capital or other securities shall be converted into any (other) class of share capital;
- (d) if it makes an offer or invitation to the Ordinary Shareholders (as defined in the Warrant Instrument) for the purchase by the Company of any of its shares, the Company shall simultaneously give notice thereof to the Warrantholders and the Warrantholders shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise their subscription rights so as to take effect as if they had exercised their rights immediately prior to the record date of such offer or invitation;
- (e) not make any issue or grant any rights, options or warrants to subscribe for Ordinary Shares or issue any securities convertible into or exchangeable for Ordinary Shares if the effect would be that on the exercise of the Subscription Rights the company would be required to issue Ordinary Shares at a discount;
- (f) procure that there shall be no compromise or arrangement affecting the Ordinary Shares unless the Warrantholders shall be treated as a separate class of members of the Company and shall be party to such compromise or arrangement; and
- (g) keep available sufficient authorised but unissued share capital to satisfy in full all Subscription Rights remaining exercisable without the need for the passing of any resolution of the Company.

3.7.5 Variation of rights

All or any rights attaching to the Warrants may only be altered or abrogated with the sanction of an extraordinary resolution of the Warrantholders.

3.7.6 Transfers and Transmission

Warrants will be registered and transferable.

The executor or administrator of a deceased Warrantholder (or the survivor or survivors where a Warrantholder was a joint holder), the guardian of an incompetent Warrantholder or the trustee of a bankrupt Warrantholder shall be the only person recognised by the Company as having any title to his Warrant. In order to be registered as the Warrantholder, such a person must produce such evidence as may reasonably be required by the Directors.

3.7.7 Accounts

Each Warrantholder will be sent, for information purposes only, concurrently with the issue of the same to the holders of Ordinary Shares a copy of each published annual report and accounts or summary financial statement of the Company.

3.7.8 Representation

A Warrantholder shall have the right to receive notice of all general meetings of the Company but shall only be entitled to attend and speak at any such general meeting where the business of the meeting

includes, *inter alia*, a resolution that the Company be wound up summarily (voluntarily), to alter or abrogate the rights attached to any of the shares of the Company, to authorise, create or increase the amount of any share ranking in priority to the Ordinary Shares the subject of the Warrants, or to do any other thing which may give rise to an adverse change or infringement of the rights of the Warrantholder.

The Warrantholder(s) shall not be deemed to be (a) member(s) of the Company.

- 3.8 The Warrants to be issued pursuant to the Placing (including the Offer) will rank *pari passu* in all respects with the Existing Warrants.

4. DIRECTORS' AND OTHER INTERESTS

- 4.1 The names of the Directors and their functions are given below:

Allan Fisher, Executive Chairman;
 David Turner, Chief Executive;
 David Cummin, Technical Director;
 Ben Margolis, Finance Director;
 Geoffrey Simmonds, Non-Executive Director;
 all c/o 8 Baker Street, London W1U 3LL.

- 4.2 The interests (all of which are beneficial save where otherwise stated) of the Directors in the issued share capital of the Company as at the date of this document and following Admission, such interests being those which are required to be entered in the register of directors' interests maintained under the provisions of section 325 of the Act or which are required to be notified to the Company pursuant to section 324 or 328 of the Act or which are the interests of persons connected with the Directors (within the meaning of section 346 of the Act) the existence of which is known, or could, with reasonable diligence, be ascertained by the Directors, together with the percentages which such interests represent of the ordinary shares, are and will be as follows:

Name	At the date of this document			At Admission			No. of EMI Options
	No. of Ordinary Shares	% of issued		No. of Ordinary Shares	% of issued		
		Ordinary Shares	Warrants		Ordinary Shares	Warrants	
Allan Fisher	16,666,666	23.81	4,666,666	16,666,666	16.66	4,666,666	Nil
David Turner	16,666,667	23.81	4,666,667	16,666,667	16.66	4,666,667	Nil
David Cummin	16,666,667	23.81	4,666,667	16,666,667	16.66	4,666,667	Nil
Ben Margolis ⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	2,000,000
Geoffrey Simmonds ⁽¹⁾	Nil	Nil	Nil	100,000 ⁽¹⁾	0.10	50,000	Nil

Note:

- (1) Geoffrey Simmonds is a minority shareholder and a director of Westside and a director of RTI, which has an interest in 20,000,000 Ordinary Shares at the date of this document. These Ordinary Shares have not been included in the above table. It has been assumed that the application to be made by Geoffrey Simmonds for 100,000 Offer Shares and 50,000 Warrants under the Offer for Subscription is accepted in full by the Company.
- (2) Ben Margolis has been granted the EMI Option, further details of which are set out in paragraph 8 below.
- (3) The above table assumes that no Warrants have been exercised at the date of Admission.

- 4.3 Save as disclosed in this document, no Director (or any person connected with him within the meaning of section 346 of the Act) has any interest, beneficial or non-beneficial, in the share capital of the Company.

- 4.4 Save as disclosed in this document, none of the Directors has or has had an interest in any transaction effected by any shareholder of the Company which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which was affected during the current year or any earlier financial year and remains in any respect outstanding or unperformed.

- 4.5 The aggregate of the remuneration granted to the Directors in respect of the Company's current financial year is estimated, under the arrangements in force at the date of this document, to be approximately £101,000.
- 4.6 There will be no variation in the total emoluments receivable by the Directors as a result of the Placing and Admission.
- 4.7 Save as disclosed in this document, there are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors. Each of David Turner and David Cummin are owed £16,000 by Fitbug Limited, such loans, which are interest free, are repayable 12 months following Admission or earlier if the directors of Fitbug Limited consider that Fitbug Limited has sufficient revenue to make such payments on a prudent basis.
- 4.8 Save as disclosed in paragraph 4.2 above, the Company is only aware of the following persons who at the date of this document and following Admission, have or will have, interests of 3 per cent. or more in the issued ordinary share capital of the Company or who could directly or indirectly, jointly or severally, otherwise exercise control over the Company:

<i>Name</i>	<i>At the date of this document</i>		<i>Upon Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Shares</i>
Reverse Take-Over Investments Plc ⁽¹⁾	20,000,000	28.57	20,000,000	20.00

Note: (1) The above table assumes that none of the Warrants have been exercised at the time of Admission, that Westside does not subscribe for any of the Placing Shares.

- 4.9 The services of the Directors are provided to the Company under the following agreements:
- (i) On 19 July 2004 Allan Fisher entered into a service agreement with the Company pursuant to which he is employed as Executive Chairman of the Company at an annual salary (subject to review) of £20,000 per annum. A performance-related bonus may be payable at the discretion of a remuneration committee of the Board. The agreement is for an initial period of 12 months from 19 July 2004 and continues until terminated by either party giving to the other not less than 12 months' notice in writing;
 - (ii) On 19 July 2004 David Turner entered into a service agreement with the Company pursuant to which he is employed as Chief Executive of the Company at an annual salary (subject to review) of £20,000 per annum. A performance-related bonus may be payable at the discretion of a remuneration committee of the Board. The agreement is for an initial period of 12 months from 19 July 2004 and continues thereafter until terminated by either party giving the other not less than 12 months' notice in writing;
 - (iii) On 19 July 2004 David Cummin entered into a service agreement with the Company pursuant to which he is employed as Technical Director of the Company at an annual salary (subject to review) of £20,000 per annum. A performance related bonus may be payable at the discretion of a remuneration committee of the Board. The agreement is for an initial period of 12 months from 19 July 2004 continues until terminated by either party giving to the other not less than 12 months' notice in writing;
 - (iv) On 22 July 2004 Ben Margolis entered into a service agreement with the Company pursuant to which he is employed as Finance Director of the Company at an annual salary (subject to review) of £36,000 per annum. A performance-related bonus may be payable at the discretion of a remuneration committee of the Board. The agreement is for an initial period of 12 months from 22 July 2004 and continues until terminated by either party giving to the other not less than 12 months' notice in writing; and
 - (v) On 4 October 2004 Geoffrey Simmonds entered into a non executive letter of appointment with the Company pursuant to which he is employed as Non Executive Director of the Company for a

fee of £5,000 per annum. The agreement is for an initial period of 12 months from 4 October 2004 and continues thereafter until terminated by either party giving to the other not less than 3 months' notice in writing.

4.10 Save for the Company, the Directors currently hold the following directorships, and have or have held the following directorships within the five years prior to the publication of this document, and are currently partners, or have been partners within the five years prior to the publication of this document, of the following firms or partnerships:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Allan Fisher	ADDleisure 2004 Limited Blue Island Residents Association Limited Chanticleer Properties Limited Chanticleer Properties Developments Limited Fitbug Limited Garodge Limited Health Club Holdings Limited Liberation Fitness Systems Limited Inclarity Plc	Future Fitness Limited Holmes Place (Bromley) Limited Holmes Place Bodycare Limited Holmes Place City Limited Holmes Place Concept Training Limited Holmes Place (Dorset) Limited Holmes Place (Ealing) Limited Holmes Place (Education) Limited Holmes Place Equipment Procurement Limited Holmes Place Family Fitness Limited Holmes Place (Hammersmith) Limited Holmes Place (Hampstead) Limited Holmes Place Health Clubs Limited Holmes Place Holdings Limited Holmes Place International Holdings Limited Holmes Place (Kingston) Limited Holmes Place Limited Holmes Place Management Limited Holmes Place (Oxford Street) Limited Holmes Place (Putney) Limited Onyxfield Limited
David Turner	ADDleisure 2004 Limited Fitbug Limited LA Fitness Plc Management Services (Leisure) Limited Regalbrook Holdings Limited Speedwell Property & Mortgage Company Limited	C.S. Leisure Plc Darkwin Limited Interactive Health and Fitness Limited LA (Golders Green) Limited LA Westminster Limited LA Fitness (Luton) Limited LA Leisure Limited Spiremill Limited
David Cummin	ADDleisure 2004 Limited Chalton Properties Limited Digital Plantation Limited Fitbug Limited	Global Technology (Software) Limited Leisure Finance Systems Ltd Membertrack Limited
Ben Margolis	ADDleisure 2004 Limited Fitbug Limited Steam Concepts Limited	None

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Geoffrey Simmonds	Westside Acquisitions plc Westside Investments Limited Westsidetech Limited Westside Sports Limited York Pharma Plc Avonlaw Limited Denavon Investments Limited Reverse Take-Over Investments plc The Elms Group Limited Football Partners Limited Footballdirectory.co.uk Limited TAF Trading Limited Football Enterprises Limited Simmonds & Co Soccer Enterprises Limited RTI Eighteen plc RTI Twenty plc	Targeted Media for Marketing (Europe) Limited MMS Group Limited Cheerful Scout Plc

- 4.11 David Turner was a director and shareholder of Thorover Limited (formerly City Squash Limited) from 13 August 1973 until the dissolution of the company in December 1983. Joint administrative receivers were appointed on 18 June 1982 and the estimated total deficiency as regards creditors of that company as at June 1982 was £532,843 (which included £200,000 of associated companies' loans). In the summary of the affairs of the company, David Turner and his fellow director, were criticised by the Official Receiver in that the insolvency of the company was primarily due to the fact that it was too highly geared.
- 4.12 David Cummin was formerly a director of Duffledown Limited. On 12 September 1988, the company was placed into administrative receivership and the receivership was concluded with a shortfall to creditors of £250,992. The company was dissolved on 5 February 1991.
- 4.13 David Cummin set up a company in 1988 called Eaton Business Systems Limited. David Cummin was the sole director of the company and owned 99.9 per cent. of the share capital of the company. Amendments to the platform on which the product was developed necessitated a prohibitively expensive wholesale revision of the product. As a consequence, the business ceased trading and was put into voluntary creditors' liquidation on 30 April 1993. The liquidation was concluded with a shortfall to creditors of some £63,271. The company was dissolved on 10 August 1996.
- 4.14 Geoffrey Simmonds was a director of Design Furniture Limited and its subsidiaries, Design Furniture (Manufacturing) Limited, Design (Module) Limited and Design Furnishing Contracts Limited until 20 June 1979. Receivers were appointed in respect of the group on 7 January 1980 and 22 January 1980 and a deficiency of approximately £660,000 was identified.
- 4.15 Save as set out in paragraphs 4.11 to 4.14, no Director has:
- (i) any unspent convictions in relation to indictable offences;
 - (ii) had a bankruptcy order made against him or entered into an individual voluntary arrangement;
 - (iii) been a director of any company, at the time of or within the 12 months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement, or any composition or arrangement with its creditors generally or with any class of its creditors;
 - (iv) been a partner in any partnership at the time of or within 12 months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement;

- (v) been the owner of any asset which was placed into receivership or a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (vi) had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies); or
- (vii) been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

5. SUBSIDIARIES

5.1 The Company's subsidiaries are as follows:

5.1.1 ADDleisure 2004 Limited: This company was incorporated as ADDleisure Limited on 4 June 2004 in England and Wales with the registered number 5145664 and on 6 September 2004 changed its name in accordance with the Act to ADDleisure 2004 Limited. The registered office of this company is at 8 Baker Street, London W1U 3LL. The authorised share capital is £1,000,000 divided into 1,000,000 ordinary shares of £1 each of which 500,000 were issued at par on 16 July 2004 and are now held by the Company.

5.1.2 Fitbug Limited: This company was incorporated on 29 January 2004 in England and Wales with registered number 05029624. The registered office of the company is at 22a Theobalds Road, London WC1X 8PF and the authorised share capital of the company is £1,000,000 divided into 1,000,000 ordinary shares of £1 each of which 1,440 are issued and allotted and 1,080 of these are held by the Company.

5.2 The Group has an equity investment in Liberation Fitness Systems Limited. This company was incorporated on 21 May 2004 in England and Wales with registered number 05134641. The authorised share capital of the company is £10,001.80 divided into 100,018 ordinary shares of 10p each of which 65,008 are issued and allotted and 18,416 of these are held by ADD 2004.

6. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business) have been entered into by the Group and are or may be material:

6.1 the Placing Agreement dated 12 October 2004 between the Company (1) the Directors (2) RTI (3) Seymour Pierce (4) and Seymour Pierce Ellis (5) pursuant to which Seymour Pierce agreed conditionally upon, *inter alia*, Admission taking place by no later than 25 October 2004 (or such later date as the Company and Seymour Pierce Ellis may agree not being later than 12 November 2004) to make the Offer for Subscription. Seymour Pierce Ellis agreed conditionally upon, *inter alia*, Admission taking place by no later than 25 October 2004 (or such later date as the Company and Seymour Pierce Ellis may agree not being later than 12 November 2004) to use its reasonable endeavours to procure placees for the Placing Shares at the Issue Price. Under the terms of the Placing Agreement the Company has agreed to pay Seymour Pierce a corporate finance fee and to issue it with 1,500,000 Warrants and it has agreed to pay Seymour Pierce Ellis a commission of 3.5 per cent. on the value of the Placing Shares subscribed at the Issue Price and a commission of 1 per cent. on the value of the Offer Shares subscribed at the Issue Price (save that in respect of any placee introduced by a Director, RTI or Westside or for any Placing Shares subscribed by Westside, such commission shall be reduced to 1 per cent. on the value of the Placing Shares subscribed at the Issue Price) and 1,500,000 Warrants.

The Placing Agreement contains certain representations, warranties and (in respect only of the Company) an indemnity in favour of Seymour Pierce and Seymour Pierce Ellis given by the Company, RTI and the Directors together with provisions which enable Seymour Pierce and Seymour Pierce Ellis to terminate the Placing Agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect.

Under the terms of the Placing Agreement each of RTI and the Directors (excluding Ben Margolis) have agreed not to dispose of any of their interests in any Ordinary Shares or Warrants held by them, and to use their reasonable endeavours to procure that persons connected with them within the meaning of the Act do not dispose of any of their interests in Ordinary Shares or Warrants, (other than in certain specified circumstances including the acceptance of a general offer for the Company) held by them before the first anniversary of the date of Admission (“the First Period”). Each of RTI and the Directors (excluding Ben Margolis) have agreed for a further twelve months following the First Period to dispose of any of their interests in any Ordinary Shares or Warrants held by them only after having consulted Seymour Pierce and Seymour Pierce Ellis so as to ensure the maintenance of an orderly market in the Ordinary Shares and Warrants;

- 6.2 a share purchase agreement dated 19 July 2004, as amended by a deed of variation dated 30 July 2004, between the Company (1) and Allan Fisher, David Turner and David Cummin (2) and RTI (3) pursuant to which the Company acquired the entire issued share capital of ADDleisure 2004 Limited for £2,500,000 which was satisfied by the issue and allotment to Allan Fisher, David Turner and David Cummin of in aggregate 50,000,000 Ordinary Shares, credited as fully paid, at a price of 5 pence per share, and the issue of 14,000,000 Warrants;
- 6.3 a nominated adviser agreement dated 12 October 2004 between the Company (1) the Directors (2) and Seymour Pierce (3) pursuant to which the Company appointed and Seymour Pierce agreed to act as nominated adviser to the Company for the purposes of the AIM Rules. The Company agreed to pay Seymour Pierce a fee of £15,000 per annum for its services as nominated adviser under this agreement. The agreement continues for a fixed period of one year from the date of the agreement and thereafter is subject to termination on the giving of three months’ notice;
- 6.4 a broker agreement dated 12 October 2004 between the Company (1) the Directors (2) and Seymour Pierce Ellis (3) pursuant to which the Company appointed and Seymour Pierce Ellis agreed to act as broker to the Company for the purposes of the AIM Rules. The Company agreed to pay Seymour Pierce Ellis a fee of £15,000 per annum for its services as broker under the agreement. The agreement continues for a fixed period of one year from the date of the agreement and thereafter is subject to termination on the giving of three months’ notice;
- 6.5 a lock-in agreement dated 12 October 2004 from Westside to Seymour Pierce Ellis pursuant to which Westside has agreed that, save in limited circumstances, it will not during the 12 months following Admission dispose of any Ordinary Shares or Warrants held by it, or any interests derived therefrom, at Admission, save for in limited circumstances as permitted by the AIM Rules and for a further period of 12 months to dispose of any of its interests in any Ordinary Shares or Warrants only after having consulted Seymour Pierce Ellis so as to ensure the maintenance of an orderly market in the Ordinary Shares and Warrants;
- 6.6 Geoffrey Simmonds has irrevocably undertaken to subscribe for 100,000 Offer Shares subject to the terms of the Offer for Subscription pursuant to an undertaking in favour of the Company, Seymour Pierce and Seymour Pierce Ellis dated 12 October 2004;
- 6.7 the Warrant Instrument; and
- 6.8 on 9 August 2004 loan stock to the value of £100,000 was issued by Liberation Fitness Systems in favour of ADD 2004 (“the Loan Stock”). Interest at the rate of 8 per cent. per annum is payable on the Loan Stock quarterly in arrears. ADD 2004 may at any time, on or before the expiry of the period of eighteen months from 9 August 2004, convert the Loan Stock into ordinary shares in the capital of Liberation Fitness Systems at the rate of 1,167 ordinary shares of 10 pence each for every £5,000 of Loan Stock.

7. MEMORANDUM AND ARTICLES OF ASSOCIATION

- 7.1 The Company’s primary object is that of a trading commercial company.
- 7.2 The Articles of Association of the Company contain provisions *inter alia*, to the following effect:

(a) Share capital

The Company may by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate its share capital into shares of larger amounts than its existing shares;
- (iii) cancel any shares which have not been taken at the date of the passing of the resolution, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (iv) sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the Memorandum of Association of the Company.

The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner subject to the provisions of the Act. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders. Subject to the provisions of the Act and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares.

(b) Voting

Subject to any special terms as to voting upon which any shares for the time being may be held, on a show of hands every member who (being an individual) is present in person or by proxy not being himself a member or (being a corporation) is present by its duly appointed representative shall have one vote, and on a poll every member present in person, or by representative, or proxy, shall have one vote for every share in the capital of the Company held by him. A proxy need not be a member of the Company. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice, the shares in question may be disenfranchised.

(c) Dividends

The Company may by ordinary resolution in general meeting declare dividends provided that they shall be paid in accordance with the Act and out of profits available for distribution and shall not exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Act.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares for this purpose.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in the shares of the Company fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may withhold dividends on such shares.

There is no fixed date on which an entitlement to a dividend arises.

(d) Variation of Rights

All or any of the special rights for the time being attached to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Act, be varied or abrogated either:

- (i) in such manner (if any) as may be provided by such rights; or
- (ii) in the absence of any such provision, with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. To every such meeting all the provisions of the Articles relating to general meetings or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons at least, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and that any holder of shares of the class in question present in person or by proxy may demand a poll.

(e) Transferability

Transfers of Ordinary Shares, which are in registered form, shall be effected in the manner authorised by the Stock Transfer Act 1963. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Directors may decline, without giving any reason, to recognise any instrument of transfer unless:

- (i) the instrument of transfer (duly stamped) is deposited at the Company's registered office accompanied by the share certificate for the shares to which it relates and such other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of share;
- (iii) the instrument of transfer is in favour of not more than four transferees; and
- (iv) the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

Where, in respect of any shares, any registered holder or any person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may prohibit transfers of such shares or agreements to transfer any of such shares.

(f) Directors of the Company

Unless otherwise determined by ordinary resolution, the number of directors (other than alternative directors) shall be not less than two and not more than eight. Subject to certain exceptions, a Director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and, if he shall do so, his vote shall not be counted.

Any remuneration paid for the services of the Directors, as fixed by the Company in general meeting, may be divided between the Directors as they shall agree or, failing agreement, equally and shall be deemed to accrue from day to day. The Company may remunerate a Director who serves on any committee or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, by way of salary, lump sum, percentage of profits or otherwise as the Directors may determine.

At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire. A retiring Director is eligible for re-election. In addition, any Director who as at the date of the relevant annual general meeting has been in office more than three years since his appointment or last election or who was elected or last elected at the annual general meeting preceding by three years the relevant annual general meeting, and who in either case is not otherwise to retire by reason of the Articles, shall also retire by rotation.

Each Director (other than an alternate director) may appoint another Director or (subject to the approval of a majority of the Directors) any other person to be an alternate director of the Company, and may at

any time remove an alternate director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

The Company may purchase and maintain for any Director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

No person is capable of being appointed a Director of the Company if at the time of the appointment he has attained the age of 70.

(g) Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not without previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of either four times the aggregate of the nominal amount of the paid up share capital of the Company and the amount shown as standing to the credit of its capital and revenue reserves as defined in the Articles but excluding certain amounts as defined therein or £10,000,000.

(h) Distribution of assets on liquidation

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company or any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company, those assets to be set at such values as he deems fair. The liquidator may also vest the whole or part of the assets of the Company in trustees on trust for the benefit of the contributories.

(i) Uncertificated Shares

The Directors may implement such arrangements as they think fit in order for any class of shares to be held, evidenced and transferred in uncertificated form. The Company will not be required to issue a certificate to any person holding shares in uncertificated form.

8. EMI SCHEME

- 8.1 The EMI Scheme was adopted by the Board on 4 October 2004. As at the date of Admission, an option over a total of 2,000,000 Ordinary Shares at a subscription price of 5p per share has been granted to Ben Margolis under the terms of the EMI Scheme.
- 8.2 The EMI Scheme is designed to meet the requirement of Chapter 9 of Part 7 of, and Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003.
- 8.3 Options are currently satisfied by the allotment of Ordinary Shares.
- 8.4 Options are not transferable, nor are they pensionable. Options may normally be exercised before the tenth anniversary of the date of grant by a person who is a director or employee on the date of exercise. No exercise can be made unless or until the option holder has completed a minimum of one year's service with the Company. Options will normally lapse on the expiry of the tenth anniversary after the date of the grant.
- 8.5 Options will normally lapse on cessation of employment except at the absolute discretion of the Directors who may allow the option holder to exercise his options on a once and for all basis during a period not exceeding 40 days following cessation of employment. However, in any event options will become exercisable for:
 - (i) a period of 12 months on the death of an option holder; or

- (ii) for a period of 40 days on his ceasing to be an employee of the Company by reason of retirement, injury, disability (including illness), redundancy, or the sale or transfer out of the Company of his employing company, business or part of the business to which his employment relates.
- 8.6 Ordinary shares issued pursuant to the exercise of options will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment. In all other respects the Ordinary Shares so allotted shall be identical and rank *pari passu* with the fully paid registered Ordinary Shares in issue on the date of such allotment.
- 8.7 The exercise price of an option shall be no less than the greater of the nominal value of an Ordinary Share and the market price for an Ordinary Share on the date of grant as agreed with the Inland Revenue.
- 8.8 The option price may be adjusted in the event of a capitalisation issue or upon consolidation, subdivision or reduction of the Company's share capital, subject to the written certificate of the auditors that such adjustment is fair and reasonable and provided that no increase is made to the aggregate exercise price relating to any option.
- 8.9 The aggregate number of Ordinary Shares for which options may be granted under the EMI Scheme at any time shall be further limited so that it shall not exceed 10 per cent. of the issued ordinary share capital of the Company at the relevant time when aggregated with any further options which are granted in accordance with Chapter 9 of Part 7 and Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 or under any other employee share scheme in respect of rights granted during the preceding 10 years.
- 8.10 On a take-over of the Company the options are exercisable within a period of 40 days and then lapse if unexercised unless the option holder of each option, with the agreement of the acquiring company, exchanges his option for an option on equivalent terms over new shares in the acquiring company.

9. LITIGATION

- 9.1 Fitbug Limited, an indirect subsidiary undertaking of the Company, has received a letter of claim, the amount of which has not been specified, from a third party alleging, *inter alia*, breach of contract and breach of confidence in relation to a non disclosure agreement. Fitbug Limited has denied the claim in its entirety and intends to vigorously defend any proceedings, if any, which may be brought. Allan Fisher, David Turner and David Cummin have agreed to personally indemnify Fitbug Limited against all liabilities, if any, arising from such claim.
- 9.2 Save as disclosed in paragraph 9.1 above, neither the Company nor any of its subsidiaries is or has been engaged in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position nor are any such proceedings pending or threatened.

10. UNITED KINGDOM TAXATION

10.1 Introduction

The information in this section is based on the Directors' understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.

On issue, the Placing Shares and the Offer Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Placing Shares and the Offer Shares should continue to be treated as unquoted securities.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

10.2 *Capital Gains Tax (“CGT”)*

10.2.1 **Disposals**

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the “pooling” of shares (i.e. treating them as one asset) no longer applies. Therefore, any disposal of shares is usually treated on a last in, first out basis for the purposes of calculating gains that are chargeable to tax.

10.2.2 **Taper Relief**

On 5 April 1998, “taper relief” was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a “business” or “non-business” asset. The scale of relief is enhanced for those assets that qualify as “business” assets. Business assets include shares in qualifying unquoted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unquoted.

During the period for which the shares are held the classification may change so that for part of the holding period, shares in the Company will be deemed to be non-business assets with the associated reduced scales of taper relief applicable. If this is the case, the taper relief would be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

10.2.3 **CGT Gift Relief**

If shares in an AIM company, which is a trading company, or the parent company of a trading group, are transferred to a third party, other than at arm’s length, the deemed capital gain can be “held over”, i.e. the CGT liability is postponed until a subsequent arm’s length disposal by the transferee, who effectively inherits the transferor’s base cost. The relief must be claimed by both the transferor and the transferee within five years and ten months of the end of the relevant tax year in which the gift was made and the transferee must be resident or ordinarily resident in the UK and remain so for six years. If CGT gift relief is claimed, the effect of the claim is that the ownership for taper relief purposes starts again, with no taper relief in respect of the previous period of ownership being applicable.

Legislation in the Finance Act 2004 means that gift relief will no longer be available on gifts to a Trust where the donor can still receive any benefit from the trust.

10.3 *Inheritance Tax (“IHT”)*

Shares in qualifying AIM trading companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes takes place.

10.4 *Income Tax*

10.4.1 **Taxation of Dividends**

- 10.4.1.1 UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid from 6 April 1999 being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder’s lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax.

The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

- 10.4.1.2 A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.
- 10.4.1.3 A UK pension fund, as defined in Section 231A ICTA, is restricted from claiming a repayment of the tax credit.
- 10.4.1.4 Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them (unless, exceptionally, the investment is managed by a UK investment manager acting, broadly, on arm's length terms). By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim relief for all or part of the tax credits carried by the dividends they received from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

10.4.2 Loss Relief

If a loss arises on the disposal of shares in an unquoted trading company, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year (with priority for relief in the current year where income of both years is utilised). Any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years.

10.5 Stamp Duty and stamp duty reserve tax

Transfers or sales of Ordinary Shares will be subject to *ad valorem* stamp duty (payable by the purchaser and generally at the rate of 50p per £100 or part thereof rounded up to the nearest £5 and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at that rate). However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

11. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry and after taking into account the net proceeds of the Placing and the Offer for Subscription, the working capital available to the Group will, from Admission, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

12. GENERAL

- 12.1 The total expenses of or incidental to Admission and the Placing and Offer for Subscription which are payable by the Company are estimated to amount to approximately £225,000 (excluding value added tax but including commissions of up to £52,500).

- 12.2 The total proceeds expected to be raised by the Placing and the Offer for Subscription are £1,500,000. The estimated net proceeds of the Placing and the Offer for Subscription, after taking account of VAT, accruing to the Company after deductions of estimated expenses and commissions are £1,250,000.
- 12.3 Except as stated in this document, there are no significant investments in progress by the Group.
- 12.4 The Directors are not aware of any exceptional factors that have influenced the Group's activities.
- 12.5 Except as stated in this document, the Directors are not aware of any patents or other intellectual property rights, licences or particular contracts, which are or may be of fundamental importance to the Group's business.
- 12.6 BDO Stoy Hayward LLP, Chartered Accountants, have given and not withdrawn their consent to the inclusion in this prospectus of their reports and references to their name in the form and context in which they respectively appear.
- 12.7 With reference to regulation 45 of Schedule 1 of the POS Regulations and for the purpose of the AIM Rules, BDO Stoy Hayward LLP accept responsibility in relation to this document for the reports set out in Parts II and III.
- 12.8 Seymour Pierce Limited has given and not withdrawn its written consent to the issue of this prospectus with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 12.9 Seymour Pierce Ellis Limited has given and not withdrawn its written consent to the issue of this prospectus with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 12.10 Except as disclosed in this prospectus, there has been no significant change in the financial or trading position of the Company since 31 July 2004, the date to which the latest audited financial statements were made up.
- 12.11 For the purposes of paragraph 21(a) of Part IV of Schedule I to the POS Regulations there is no minimum amount which must be raised for the Company pursuant to the Placing (incorporating the Offer for Subscription) as the Placing Shares have all been conditionally placed.
- 12.12 It is expected that definitive share and warrant certificates will be despatched by hand or first class post by 1 November 2004. In respect of shares and warrants in uncertificated form it is expected that CREST stock accounts will be credited at 8.00 a.m. on 25 October 2004.
- 12.13 The Issue Price of 5 pence per new Ordinary Share is at a premium of 4.5 pence for each new Ordinary Share above the nominal value of each new Ordinary Share.
- 12.14 The accounting reference date of the Company is 31 July.
- 12.15 The financial information relating to the Company contained in this prospectus does not comprise statutory accounts for the purposes of Section 240 of the Act.
- 12.16 No person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) has in the last 12 months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission, any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into contractual arrangements to receive the same from the Company at the date of Admission.
- 12.17 There is no Director or member of a Director's family who has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 12.18 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all

respects. If the Placing Agreement does not become unconditional in all respects by 12 November 2004, application monies will be returned to placees at their own risk without interest.

13. AVAILABILITY OF THIS DOCUMENT

Copies of this document will be available from the date of this document free of charge to the public on any week day (Saturdays, Sundays and bank and public holidays excepted) at the offices of Seymour Pierce Limited, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL and at the offices of Finers Stephens Innocent, Solicitors, 179 Great Portland Street, London W1W 5LS until at least one month from Admission.

Dated: 12 October 2004

PART VI

DETAILS OF THE OFFER FOR SUBSCRIPTION

1. TERMS OF THE OFFER FOR SUBSCRIPTION

- 1.1 Seymour Pierce as agent for the Company is offering 3,000,000 Offer Shares at 5 pence per share payable in full on application together with 1,500,000 Warrants, on the basis of one Warrant for every two Offer Shares.
- 1.2 **Application must be for a minimum of 10,000 Offer Shares and thereafter in multiples of 10,000 Offer Shares.** Only one application can be made by an applicant (or for his/her benefit) on an Application Form. At the Issue Price, 10,000 Offer Shares equates to a subscription price of £500.
- 1.3 Applicants may complete an Application Form for each of their holdings of ordinary shares and warrants in Westside. Accordingly, an applicant may complete one Application Form in respect of each of the separate capacities in which they are entitled to participate in the Offer for Subscription.
- 1.4 The Offer Shares will, when allotted, be fully paid and rank *pari passu* in all respects with the Ordinary Shares then in issue, including the right to receive all dividends and distributions thereafter declared, made or paid. The Offer Shares and the Warrants will be issued free from all liens, charges and encumbrances.
- 1.5 The Company and Seymour Pierce reserve the right to reject in whole or in part, or to scale down or limit any application as they shall, in their absolute discretion, think fit. If rejected in whole or in part, monies will be returned to applicants, without interest, at their own risk, by 5 November 2004.
- 1.6 By completing and delivering an Application Form, each applicant (and, if he/she signs the Application Form on behalf of somebody else or a corporation, that person or corporation):
 - 1.6.1 offers to subscribe for the number of Offer Shares and Warrants specified in his/her Application Form (or such lesser number for which his/her Application Form is accepted) at the Issue Price on the terms of and subject to this document, including these terms and conditions of on the Application Form, and the memorandum and articles of association of the Company and the Warrant Instrument dated 19 July 2004, as amended by a deed of variation dated 4 October 2004;
 - 1.6.2 warrants that his/her cheque or banker's draft will be honoured on first presentation and agrees that if it is not so honoured he/she will not be entitled to receive certificates in respect of the Offer Shares and Warrants applied for or to enjoy or receive any rights or distributions in respect of the shares unless and until payment is made in cleared funds for such Offer Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that the applicant indemnifies it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of his/her remittance to be honoured on first presentation) and he/she agrees that, at any time prior to the unconditional acceptance by the Company of any such later payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe for such Offer Shares and Warrants and may allot such Offer Shares and Warrants to some other person, in which case he/she will not be entitled to any payment in respect of such Offer Shares and Warrants other than the refund to him/her at his/her risk of any proceeds of the cheque or banker's draft accompanying his/her application, without interest;
 - 1.6.3 agrees that, in respect of those Offer Shares and Warrants for which his/her application has been received and is not rejected, acceptance of that application shall be constituted by notification of acceptance thereof to Capita Registrars;

- 1.6.4 agrees that any monies returnable to the applicant may be retained by Capita Registrars pending clearance of his/her remittance and that such monies will not bear interest;
- 1.6.5 warrants that, if he/she signs the Application Form on behalf of somebody else or on behalf of a corporation, he/she has due authority to do so on behalf of that other person or corporation, and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertakes to enclose his/her power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- 1.6.6 agrees that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by and construed in accordance with English law, and that he/she submits to the exclusive jurisdiction of the English Courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- 1.6.7 confirms that, in making such application, neither the applicant nor any person on whose behalf he/she is applying is relying on any information or representation in relation to the Company other than the information contained in this document and accordingly agrees that no person responsible solely or jointly for this document or any part hereof or involved in the preparation hereof shall have any liability for any such information or representation;
- 1.6.8 authorises Capita Registrars or any person authorised by them, as his/her agent to do all things necessary to effect registration of any Offer Shares subscribed by him/her into his/her name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such new Ordinary Shares has been transferred and authorises any representative of Capita Registrars to execute any document required therefor;
- 1.6.9 agrees that, having had the opportunity to read this document, he/she shall be deemed to have had notice of all information and representations concerning the Company and the Offer Shares and Warrants contained herein;
- 1.6.10 warrants that he/she is not under the age of 18;
- 1.6.11 agrees on request by the Company or at its discretion on behalf of the Company, to disclose promptly in writing to it, any information which it may reasonably request in connection with his/her application and authorises it to disclose any information relating to his/her application as it considers appropriate;
- 1.6.12 warrants that he is not a person in the United States and is not applying on behalf of or with a view to the re-offer, sale, transfer, delivery or distribution to, or for the benefit of, any person within the United States or who is a US person, and will not, as principal or agent, offer, sell, transfer renounce, deliver or distribute, directly or indirectly, any Ordinary Shares being acquired by him to any person within the United States or who is a US person. As used herein “United States” means the United States of America (including the States thereof and the District of Columbia) its territories and possessions and “US person” means any person or entity defined as such in Rule 902 under the United States Securities Act of 1933 (as amended);
- 1.6.13 warrants that he is not a Canadian person (which expression shall mean any individual resident in Canada, any corporation, partnership or firm organised under or governed by the laws of Canada (or any political sub-division thereof), any branch in Canada of a corporation, partnership or firm incorporated or established outside Canada and any investment fund, estate or trust organised under or governed by the laws of Canada (or any political sub-division thereof) and is not applying on behalf of, or with a view to the re-offer, sale or transfer to or for the benefit of, any such person; and

- 1.6.14 warrants that on the Record Date he/she is a shareholder or warrant holder of Westside and has not made more than one application under the Offer for Subscription in relation to each capacity in which they are entitled to so participate.

2. PROCEDURE FOR APPLICATION

- 2.1 The Application Form, which accompanies this document, contains full details regarding application and payment.
- 2.2 Applicants who wish to apply for Offer Shares and Warrants must complete the Application Form in accordance with the instructions printed thereon and return it, together with the appropriate remittance for the full amount payable on application, either by post or by hand, to Capita IRG Plc, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to arrive as soon as possible but, in any event, no later than 12 noon on 22 October 2004. Application Forms received after that time may not be treated as valid. It is recommended that at least two working days are allowed for delivery. Applications will not be acknowledged.
- 2.3 Cheques or banker's drafts should be crossed "Account Payee only" and made payable to "**Capita IRG Plc a/c ADDleisure plc**". They must be drawn in sterling on a bank or building society or branch thereof in the United Kingdom, the Channel Islands or the Isle of Man, which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies or committees and must bear the appropriate sort code in the top right hand corner. The Company reserves the right to reject applications unless these requirements are fulfilled. Cheques and banker's drafts are liable to be presented for payment upon receipt. It is a term of the Offer that cheques shall be honoured on first presentation. The Company may elect to treat as invalid any application in respect of which a remittance is not so honoured. Cheques or banker's drafts will be presented for payment on receipt.

3. MONEY LAUNDERING

- 3.1 It is a term of the Offer for Subscription that, to ensure compliance with the Money Laundering Regulations 2003 and the Proceeds of Crime Act 2002, each of the Company and Capita IRG as receiving agent on its behalf is entitled to require, at its absolute discretion, verification of identity from any person lodging an Application Form (an "applicant") including, without limitation, any person who either:
- 3.1.1 tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the applicant; or
- 3.1.2 appears to the Company or Capita IRG Plc to be acting on behalf of some other person.
- Pending the provision of evidence satisfactory to the Company or Capita IRG Plc as to the identity of the applicant and/or any person on whose behalf the applicant appears to be acting, the Company or Capita IRG Plc, in its absolute discretion, may retain an Application Form lodged by an applicant and/or the cheque or other remittance relating thereto and/or not enter the applicant on the register of members or issue any share certificate in respect of them.
- 3.2 If verification of identity is required, this may result in a delay in dealing with an application and in rejection of the application. In order to avoid this, payment should ideally be made by means of a cheque drawn by the person named on the Application Form. If this is not practicable and a cheque drawn by a third party or building society cheque or banker's draft is used, the applicant should:
- 3.2.1 write the name and address of the person named on the Application Form on the back of the cheque, building society cheque or banker's draft and, in the case of an individual, record his/her date of birth against his/her name;

- 3.2.2 if a building society cheque or banker's draft is used, the building society/bank should be asked to endorse on the cheque or banker's draft the name and account number of the person whose building society or bank account is being debited. The building society or bank endorsement should be overlaid with the branch stamp;
- 3.2.3 if the application is being made as agent for one or more persons, the applicant should indicate on the Application Form whether he is a United Kingdom or EU regulated person or institution (e.g. bank or broker) and specify his status. If he is not a United Kingdom or EU regulated person or institution, he should contact Capita IRG Plc in the first instance for guidance.
- 3.3 The Company reserves the right, in its absolute discretion, for it or Capita IRG Plc to reject any application in respect of which the Company or Capita IRG Plc considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the monies payable to or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Ordinary Shares in question (but in each case without prejudice to any rights which the Company and/or Capita IRG Plc may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute a warranty and undertaking by the applicant to the Company and to Capita IRG Plc to provide promptly to Capita IRG Plc such information as may be specified by the Company or Capita IRG Plc as being required for the purpose of the Money Laundering Regulations 2003 and the Proceeds of Crime Act 2002.
- 3.4 None of the Company, Capita Registrars and their advisers shall be responsible or have any liability for loss or damage (whether actual or alleged) arising from the election by the Company or Capita Registrars or their advisers to treat an application in respect of Offer Shares and Warrants lodged by any applicant as invalid or terminate any contract of allotment as a result of the Company or Capita Registrars not having received evidence as to the identity of the person lodging the relevant Application Form reasonably satisfactory to it within a reasonable time of having requested such information.

4. OVERSEAS PERSONS

- 4.1 No person receiving a copy of this document and/or any Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without compliance with any unfulfilled registration or other legal requirements. Any person receiving a copy of this document and/or an Application Form outside the United Kingdom and wishing to make an application for any Ordinary Shares must satisfy himself as to the full observance of the laws of the relevant territory, including obtaining any governmental or other consents which may be required and observing any other formalities needed to be observed in such territory and is responsible for paying any issue, transfer or other taxes due in such territory.
- 4.2 The Company reserves the right, in its absolute discretion, to treat the Offer as having not been made in any particular case if it believes any application thereunder would or may violate applicable legal or regulatory requirements.
- 4.3 The Offer Shares and Warrants have not been, and will not be registered under the Securities Act of 1933, as amended, of the United States ("Securities Act"). Accordingly, except where a transaction is exempt under the Securities Act, the Offer Shares and Warrants may not be offered, sold or renounced, directly or indirectly, in the US (including the State and the District of Columbia) its territories, possessions and other areas subject to its jurisdiction ("United States") to or for the account or benefit

of a US person. This document shall not constitute an offer to sell or the solicitation of an offer to buy any of the Offer Shares and Warrants in any jurisdiction in which such offer or solicitation is unlawful.

- 4.4 No Application Form will be distributed to any Qualifying Stockholder whose registered address is in the US and this document is therefore sent to any such Qualifying Stockholder for information only. If an Application Form is received by any US Person, or the agent of a US Person, he should not make an application unless it constitutes an exempt transaction under the Securities Act. Application and payment under an Application Form will constitute a representation and warranty that the person entitled to it is not a US Person and will not hold or acquire any of the Offer Shares in the US or to or for the account of a US Person or that the acceptance constitutes a transaction which is exempt under the Securities Act.
- 4.5 Qualifying Stockholders resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Offer Shares and Warrants under the Offer for Subscription.

5. SETTLEMENT AND DEALINGS

- 5.1 Definitive certificates in respect of the Offer Shares and Warrants are expected to be despatched by 1 November 2004. No temporary documents of title will be issued and pending the issue of definitive share certificates, transfers will be certified against the register.
- 5.2 All documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her own risk. All payments under the Offer for Subscription must be made in pounds sterling.
- 5.3 Applicants who have CREST Stock Accounts will be able to have Offer Shares and Warrants credited to those accounts.

6. FURTHER INFORMATION

Your attention is drawn to the further information set out in this document and the terms and conditions set out in the Application Form and the guidance notes relating thereto.