Fitbug Holdings Plc / Epic: FITB.L / Index: AIM / Sector: Leisure

27 September 2012

Fitbug Holdings Plc ('Fitbug' or 'the Company')

Interim Results - Development leaves Fitbug well placed for Strong US Growth

Fitbug Holdings Plc, the AIM traded provider of online personal health and well-being services, announces its results for the six months ended 30 June 2012.

Overview

- Pre-tax loss of £649,000 (2011: loss of £189,000) reflecting increased investment in new product and US market development

- Launch of Fitbug Air - the world's first Bluetooth Low Energy Fitbug activity tracker (post period end)

- New sales confirm appeal of Fitbug capability in the Connected Health Market, and interest in new Games Framework

- Strong pipeline of new business opportunities and 2013/14 revenue deals

- £1,000,000 Convertible loan from Kirsh Group subsidiary, on attractive terms, and £125,000 investment by directors significantly strengthens the Company's financial position

- Cash at 30 June 2012 was £1,136,000 (2011: £172,000)

Fitbug Executive Chairman Fergus Kee said "This has been an exciting period which has seen us strengthen our offering through the introduction of mobile compatible products and services. We are focussed on increasing our presence in the growing US 'Connected Health' market and advancements to date have been positive having signed agreements with a range of major health insurers and healthcare businesses. With strong market interest, the launch of Fitbug Air and the investment by the Kirsh Group the Company is now well placed to grow strongly, particularly in the key US market."

Executive Chairman's Statement

Fitbug operates in what is increasingly called the 'Connected Health' market - the use of wearable devices to upload data to the internet allowing individuals and third parties to track and manage a range of health conditions ranging from chronic disease to optimising wellness and fitness programmes. The market is projected to grow very strongly over the next few years driven by the development of new technology, particularly those linked to mobile, increasing consumer interest, and growing cost pressure on health budgets. This pressure is caused by the projected increase in the burden of chronic disease, frequently caused by avoidable lifestyle-based factors, perhaps most significantly, inactivity.

The first half of 2012 has seen strong evidence that the market, particularly in the US, is now poised for material growth. To quote just two examples, the Lancet, a leading general medical journal, devoted almost all its July edition to inactivity, rating it as potentially as damaging to world health as smoking. Also, a recent survey of 350 US employers by ShapeUp Wellness showed that 70% of employers were planning to use tracking devices in their wellness programmes next year compared to 16% currently. This accords with many of our pipeline discussions with US health insurers, employers and wellness service businesses who are reshaping their 2013 health programmes to have much stronger device, challenge, mobile and social network components.

After a further six month period of investment Fitbug is now well placed to take advantage of these growth opportunities.

The recently announced Fitbug Air, the world's first Bluetooth Low Energy Fitbug activity tracker, offers seamless, wireless connectivity to the latest generation of mobile devices, including smartphones, such as the Apple iPhone 4S and the recently launched iPhone 5, Bluetooth 4.0-enabled tablets such as the new iPad and the recently updated iPod Touch. Connectivity to other leading Bluetooth 4.0-enabled smartphones such as the Samsung Galaxy S III will follow later in the year. With the accelerating shift to mobile, and with insurance companies and corporations looking for more flexible ways to monitor and stimulate exercise amongst its customers and employees, this launch positions Fitbug very strongly to capitalise on the growing demand for mobile-compatible wellness programmes.

The Fitbug Air launch was accompanied by the first phase of a major update of the fitbug.com websites in the UK and US, offering an improved consumer experience together with clearer promotion of Fitbug services and capability to employers and business partners. A South Africa version of the website, Fitbug.co.za, was also launched to support the promotion of Fitbug to Discovery SA's 1.8 million Vitality members.

Much of the sales focus through the first half of our financial year has been on the US and in particular on the B2B sector, which includes health insurers, wellness service businesses and employers. This has been aided by our strengthened US presence and exhibitor attendance at the AHIP (American Health Plan Association) annual conference in June 2012. The second half of our financial year starts with a much strengthened pipeline of new business opportunities. Some of these will come in fruition during the second half of 2012 but the main benefits will be seen in 2013.

Two recently announced US sales deals worth $500,000 typify Fitbug's sales pipeline opportunities. The first was a repeat order from The Vitality Group ('TVG') in Chicago, which highlights a continued strong uptake of Fitbug by TVG clients, and developing business relations through the introduction of Fitbug as a rewards redemption option. TVG, a customer since 2010, uses Fitbug's proprietary activity tracking technology, devices and data services to support its Vitality incentives programme to large employers. TVG is the sister company to PruHealth in the UK and a subsidiary of South Africa based health insurer Discovery Holdings Limited. The second sale is to a leading US Conference and Exhibition business. The contract for a 12 month workplace health programme for 3,500 employees, will encompass Fitbug's recently launched Games Framework.

The new Games Framework was launched in April, in tandem with our iPhone App, both of which were designed to allow users and corporations to increase their exposure to the innovative Fitbug service. The Games Framework allows teams or individuals to compete against each other to complete virtual challenges. This new capability, which encompasses Google maps based progress and hotspot graphics, Chatterbox and Social Media features, as well as team leader boards, builds upon Fitbug's previous league challenge, Fantasy Footfall. These games can be customised to any route and branded to meet client requirements, once again providing employers with enjoyable and traceable incentives to boost activity in the work place.

Importantly, the Fitbug offering also continues to gain traction outside of the USA, evidenced by growth in France where we signed a partnership agreement with Anxa, a premiere provider of wellness and nutrition products and services in Europe and Asia, in 2011. Under the terms of the agreement, Fitbug's proprietary health and well-being technology is marketed by Anxa's subsidiary, Aujourdhui.com, which is France's leading diet club.

Elsewhere in Europe, we were delighted to launch Fitbug in Germany through an initial order for 1,500 devices from existing customer Holmes Place International ('Holmes Place'), a leading health and fitness club operator in the Middle East and Europe. These devices will be used to support the launch of its new membership category developed in partnership with Fitbug, 'Holmes Place 2Go', in the German market. Holmes Place has 15 clubs in Germany and Austria and the roll out of 'Holmes Place 2Go' follows the schemes success in Israel where it has achieved significant traction and sales since its launch in 2010.

Financials

The results for the six months to 30 June 2012 show a pre-tax loss of £649,000 (2011: £189,000) reflecting increased investment in new products and US market development. Cash at 30 June 2012 is £1,136,000 (2011: £172,000).

The financial position of the Company was significantly strengthened by a £1,000,000 loan from Kifin Limited, a Kirsh Group subsidiary. The loan issued under a convertible loan note instrument is for a term of three years to 30 June 2015 at an interest rate of 5% per annum. The loan note is convertible by the holder, at any time, into 66,666,667 ordinary shares in Fitbug at a price of 1.5 pence per ordinary share. This loan, on attractive terms, will be used to support further development of the business in the US health market, as will the investment of £125,000 by four directors by a mix of loan conversion and subscription for new shares.

Outlook

Having enjoyed a period of success both in terms of the development of our offering and the extension of our presence in the exciting US market, we look forward to advancing our solid pipeline of new business opportunities over the coming year. With strong market interest, the launch of Fitbug Air giving wireless mobile connectivity, growing presence in the US and financial backing from the Kirsh Group, the Company is now well placed to grow strongly, particularly in the US health market, and I look forward to updating shareholders on progress.

Fergus Kee
Executive Chairman
27 September 2012

For further information visit www.fitbugholdings.com or contact:

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Notes to Editors

Fitbug is a leading provider of online health and well-being services to help individuals to improve their lifestyles by making realistic changes to their daily routine. It combines activity tracking devices, which download to fitbug.com to provide an understanding of each user's daily activity achievements, with web technology which provides users with personalised weekly activity and nutrition targets, feedback, advice and encouragement.

Key market sectors include health insurance and rewards providers, workplace health programmes, Primary Care Trusts, fitness operators and consumers. Increasingly, Fitbug's platform acts as the driving force behind third party services such as white label sites, activity driven games and challenge microsites and rewards programmes.

The Company's main focus is now on building strategic partnerships with organisations, with the United States as a key market, which can integrate Fitbug into their own service/product offerings or resell to their customer base. Visit www.fitbug.com for more information.

The Fitbug business was founded by Paul Landau, CEO of Fitbug Limited. Fergus Kee, Executive Chairman of the Company is the former Managing Director of Bupa's £2.1 billion turnover UK and North American Division.

Consolidated statement of comprehensive income
For the period ended 30 June 2012

	Note	**Unaudited 6 months Ended 30 June 2012 £'000**	Unaudited 6 months Ended 30 June 2011 £'000	Audited Year Ended 31 December 2011 £'000
Continuing operations				
Revenue		**674**	793	1,283
Cost of sales		**(268)**	(268)	(428)
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Gross profit		**406**	525	855
Operating and administrative expenses		**(1,040)**	(871)	(1,805)
Finance income-waiver of interest payable		**-**	75	75
Finance income-gain on equity for debt swap		**-**	96	96

Finance costs		**(15)**	(14)	(30)
Loss for the period from continuing operations		**(649)**	(189)	(809)
Discontinued operations				
Profit for the period from discontinued operations		**-**	-	26
Loss for the period and total comprehensive income for the period attributable to equity holders of the parent		**(649)**	(189)	(783)
Loss per share				
From continuing and discontinued operations Basic (pence per share)		**(0.4)**	(0.2)	(0.7)
From continuing operations Basic (pence per share)	2	**(0.4)**	(0.2)	(0.7)

Consolidated statement of changes in equity
For the six months ended 30 June 2012

	Share capital £'000	Share Premium £'000	Retained deficit £'000	Total Equity £'000
Balance at 1 January 2011 (audited)	**980**	**-**	**(1,356)**	**(376)**
Loss and total comprehensive income for the period	-	-	(189)	(189)
Issue of shares for cash	100	100	-	200
Debt for equity swap	35	44	-	79
Transfer to share premium	-	96	(96)	-
Share based payment	-	-	45	45
Balance at 30 June 2011 (unaudited)	**1,115**	**240**	**(1,596)**	**(241)**
Loss and total comprehensive income for the period	-	-	(594)	(594)
Issue of shares for cash	192	578	-	770
Costs of issuing shares	-	(33)	-	(33)
Share based payment	-	-	51	51
Balance at 31 December 2011 (audited)	**1,307**	**785**	**(2,139)**	**(47)**

Loss and total comprehensive income for the period	-	-	(649)	(649)
Issue of shares for cash	378	277	-	655
Costs of issuing shares	-	(28)	-	(28)
Share based payment	-	-	32	32
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Balance at 30 June 2012 (unaudited)	**1,685**	**1,034**	**(2,756)**	**(37)**
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Consolidated Balance Sheet at 30 June 2012

	Unaudited 6 months Ended 30 June 2012 £'000	Unaudited 6 months Ended 30 June 2011 £'000	Audited Year Ended 31 December 2011 £'000
Assets			
Non-current assets			
Intangible assets	**63**	144	110
Property, plant and equipment	**19**	6	21
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Total non-current assets	**82**	150	131
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Current assets			
Inventories	**260**	208	165
Trade and other receivables	**293**	179	169
Cash and cash equivalents	**1,136**	172	182
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Total current assets	**1,689**	559	516
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Total assets	**1,771**	709	647
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Liabilities			
Non-current liabilities			
Borrowings	**1,372**	260	308
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Total non-current liabilities	**1,372**	260	308
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Current liabilities			
Trade and other payables	**349**	565	234
Borrowings	**87**	125	152

Total current liabilities	**436**	690	386
Total liabilities	**1,808**	950	694
Net liabilities	**(37)**	(241)	(47)
Capital and reserves			
Share capital	**1,685**	1,115	1,307
Share premium	**1,034**	240	785
Retained deficit	**(2,756)**	(1,596)	(2,139)
Total equity	**(37)**	(241)	(376)

Consolidated cash flow statement
For the six months ended 30 June 2012

	Six months Ended 30 June 2012 £'000	Six months Ended 30 June 2011 £'000	12 Months Ended 31 December 2011 £'000
Cash flows from operating activities			
Loss before taxation	**(655)**	(189)	(783)
Adjustments for:			
- Depreciation and amortisation	**51**	50	103
- Share-based payments	**32**	45	96
- Finance income-waiver of interest payable	**-**	(75)	(75)
- Finance income-gain on equity for debt swap	**-**	(96)	(96)
- Finance expense	**15**	14	30
Cash flows from operating activities before changes in working capital and provisions	**(551)**	(251)	(725)
- Increase in inventories	**(95)**	(144)	(101)
- Increase in trade and other receivables	**(124)**	(32)	(22)
- Increase/(decrease) in trade and other payables	**115**	2	(329)
Net cash used in operations	**(655)**	(425)	(1,177)
Cash flow from investing activities			
Purchase of property, plant and equipment	**(3)**	(2)	(24)

Development costs capitalised	**-**	(4)	(16)
Net cash used in investing activities	**(3)**	(6)	(40)
Cash flow from financing activities			
Issue of ordinary shares for cash	**655**	200	970
Costs directly related to issue of shares	**(28)**	-	(33)
Loan advances	**1,000**	60	135
Finance expense	**(15)**	(14)	(30)
Net cash generated from financing activities	**1,612**	246	1,042
Net increase/(decrease) in cash and cash equivalents	**954**	(185)	(175)
Cash and cash equivalents at beginning of period	**182**	357	357
Cash and cash equivalents at end of period	**1,136**	172	182

Unaudited notes forming part of the consolidated interim financial statements
For the six months ended 30 June 2012

1 BASIS OF PREPARATION

Fitbug Holdings plc is a company incorporated in the United Kingdom under the Companies Act 2006. Its registered office address is 1st Floor Waterside House, 47-49 Kentish Town Road, London NW1 8NX.

The condensed consolidated interim financial statements of the company for the six months ended 30 June 2012 comprise the company and its subsidiaries (together referred to as "the group"). These interim statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The interim financial information has been prepared using the same accounting policies, presentation, method of computation and estimation techniques as are expected to be adopted in the group financial statements for the year ending 31 December 2012 and which were adopted in the audited group financial statements for the year ended 31 December 2011.

The financial information for the year ended 31 December 2011 has been extracted from the statutory accounts for that period. The auditors have reported on the statutory accounts for the year ended 31 December 2011 and their report was unqualified. The auditors' report drew attention by emphasis of matter to issues surrounding the ability of the company to continue as going concern. A copy of those financial statements has been filed with the Registrar of Companies.

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted in the EU. While the financial figures included in this half yearly report have been computed in accordance with IFRSs as adopted in the EU applicable to interim periods, this half yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

2 LOSS PER SHARE

The loss per share from continuing and discontinued operations is based on a loss for the period attributable to equity holders of the Parent Company of £649,000 (2011 - loss of £189,000) and the weighted average number of ordinary shares being in issue for the period of 152,136,461 (2011 - 104,737,195).

The exercise of the outstanding options would reduce the loss per share and hence have an anti-dilutive effect. There are 13,450,000 (2011: 13,450,000) shares that could potentially be issued under the terms of options that will potentially reduce future earnings per share.

3 GOING CONCERN

The condensed interim financial statements for the six months ended 30 June 2012 have been prepared on the assumption that the group will be able to continue trading as a going concern for the foreseeable future. At 30 June 2012 the group had net liabilities of £37,000, which includes a loan of £1,000,000 from Kifin Limited, a Kirsh Group subsidiary, issued under a convertible loan note instrument dated 28 June 2012. This facility has a term of three years to 30th June 2015 and accrues interest at a rate of 5% per annum, payable in arrears at the end of the first year and quarterly thereafter. The loan note is convertible by the holder, at any time, into 66,666,667 ordinary shares in Fitbug at a price of 1.5 pence per ordinary share.

The group also has a £384,000 loan from NW1 Investments Limited, a company connected to 2 of the directors of the group.

The directors have prepared financial forecasts which suggest that, based on anticipated sales pipeline, sufficient facilities are in place to meet the Group's working and development capital requirements.

The directors have continued to adopt the going concern concept in preparing these interim financial statements on the basis that they believe that the anticipated sales pipeline and a number of opportunities currently available to them will generate improved revenue and profitability. The sales forecasts are however based on the achievement of and timings of revenue forecasts which, although believed reasonable by the directors are nevertheless, in part, outside the Group's direct control. If significant delays were to take place, these may render the Group's cash resources insufficient.

If as a result the Group were unable to continue as a going concern, then adjustments would be necessary to write assets down to their recoverable amounts, non-current assets and liabilities would be reclassified as current assets and liabilities and provisions would be required for any costs associated with closure.

****ENDS****