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

30 September 2015

FITBUG HOLDINGS PLC ("Fitbug" or "the Company")

Interim Results

Fitbug Holdings Plc, the AIM quoted provider of online personal health and wellbeing services, is pleased to provide its interim results for the six months ended 30 June 2015.

Overview

- Focussed on increasing market share in the prospective and rapidly growing wearable health sector
- Secured multiple follow-on supply contracts with leading retailers in the UK and US, including Argos, Sainsbury's and Target
- B2B space underpinned by the Company's Vitality Health agreement & signed significant new B2B orders with Towers Watson and Punter Southall
- Development and imminent launch of Kiqplan Version 2– compatible with leading wearable devices
- Strengthened management team to accelerate product development and marketing strategies
- Continued support of key stakeholder the Kirsh Family office and NW1 Investments
- Revenues of £991,000 generated for the period (H1 2014: 914,000)
- Pre-tax loss of £3,215,000 (H1 2014: loss of £1,610,000) reflecting increased investment in the ongoing development of its innovative product range
- Cash at 30 June 2015 was £795,000 (30 June 2014: £160,000)
- Successfully raised £1,665,000, before costs, post period end

Fitbug CEO Anna Gudmundson said, "I am delighted to have been appointed as CEO of Fitbug. Together with our innovative and ambitious team, I will be focused on positioning the Company to ensure that it can rapidly capitalise on the exciting and long term opportunity that Kiqplan has carved out in the digital health market. This is a fast growing space and through constant innovation we are committed to remaining at the fore of these market developments, in line with our active growth strategy. I look forward to providing updates in respect to our team, Board, products and business model in the coming months."

Chairman's Statement

Kiqplan, our newest product, positions Fitbug as a forerunner in the digital health sector and this has been the main driver behind our activities during the period. Working alongside leading wearable devices, including our Fitbug Orb, Kiqplan provides users with a tailored 12-week coaching plan to guide and motivate them to achieve more on their fitness journey. We believe that this type of offering represents the future of digital health due to its ability to make wearable technology relevant to "real people" beyond the fitness fanatics and gadget geeks. Therefore, as the only company to have developed a proposition of this kind in the sector, we are focused on positioning Kiqplan so that it is scalable and can penetrate the digital health and wearables market in a significant way.

The appointment of Anna Gudmundson, post period end, was made with our targeted growth strategy in mind. She has over 10 years management experience in the technology sector and successfully built and managed the services and applications department during her time as Head of Services at luxury mobile phone company Vertu. She also led large scale multi-national projects at Alcatel-Lucent in the mobile and telecom sector and developed new marketing solutions for large global brands, leading businesses into new categories and territories. Accordingly, we believe she is ideally placed to scale our business appropriately so that it can capitalise on the major market opportunity that Kiqplan presents.

Anna is not entirely new to the company having held the role of interim Product Director since February and has therefore been intimately involved with honing the Kiqplan offering. Since joining she has restructured the product management function, enhanced our product development processes and led the development of Kiqplan Version 2, which is progressing well. With a refined product in hand, we will be ideally placed to increase our marketing, secure further distribution deals and strengthen our sales in the future. Our sales for the period were up on the comparative period in 2014 but there is certainly room for significant growth and this is naturally our prime goal as the Kiqplan concept matures and builds on the solid foundations now in place.

This investment in our technology has necessitated an increase in capex, which is visible on our balance sheet for the period. However, shareholders should be reassured that this is positioning the Company to scale and grow in a significant way. Kiqplan has strong potential to create a long term market for wearables by facilitating stronger engagement between the user and their tracking device. Its potential has been recognised by major players in our sector, demonstrated by the interest from Samsung, which integrated an exclusive 12 week Kiqplan called "Fit + Healthy" into the Samsung Digital Health Platform, and Kiqplan's inclusion as an inaugural member of the newly launched Jawbone Marketplace. Additionally, we were delighted to be appointed as the Official Fitness Partner to Cancer Research UK for its Race for Life 2015 campaign.

Separately, during the period, Fitbug was delighted to announce exciting new relationships in the B2B sector, including Punter Southall Health & Protection Consulting, one of the strongest and most innovative health and protection advisers in the UK. Furthermore, in June 2015 the Company secured a new partnership agreement to supply its Fitbug Orb and web platform to leading global professional services company Towers Watson as part of HealthVantage, its new online health management solution. These new relationships build on Fitbug's longstanding experience in the B2B space, working with corporate and insurance clients such as Vitality Health (formerly PruHealth) with which it has had a longstanding relationship.

In the consumer sector, Fitbug was also pleased to announce new commercial agreements, which included inflight retail specialist Scorpio Worldwide, who have added a second airline, Virgin, to its list of airlines who will stock a Fitbug/Kiqplan product bundle following their initial contract with KLM. In conjunction with this, we are delighted to report that the Company has secured repeat orders from existing retail customers; UK retailer J Sainsbury plc placed a stock replenishment order in Q3 2015 and confirmed that Fitbug's products would be included in its 2015 holiday promotions, whilst Argos has included both the Fitbug Orb and Kiqplan will be included in their 2015 Autumn/Winter catalogue. Furthermore, US retailer Sam's Club agreed a 25 store, eight week trial of stocking the Fitbug Orb, Wow and Kiqplan bundle, starting in September 2015.

Aside from these developments in the B2B and B2C commercial space, Homerton University Hospital NHS Foundation Trust has confirmed a pilot programme using Fitbug Orb and Kiqplan. This is an interesting opportunity which could have significant strategic impact on the way wearable health devices can be utilised to promote and support a healthy lifestyle.

Corporate

During the period our Financial Director, Andrew Brummer, stepped down from the Board. We appointed James Ward as part time interim Chief Financial Officer and are currently in the process of recruiting a permanent replacement for Andrew which we hope to announce in the near term.

Post period, our Executive Chairman, Fergus Kee, stepped down from the Board and again, we are also in the process of recruiting a replacement for this role. We would like to take this opportunity to thank Fergus and Andrew for their commitment and significant contributions over the years and wish them both every success in the future.

In January 2015 we were disappointed to report that in our trademark dispute against Fitbit Inc, the District Court for the Northern District of California, San Francisco Division granted summary judgement in Fitbit's favour on the defence of laches. Fitbug has appealed this decision. The patent infringement action brought by Fitbit is currently in the discovery phase. In that action, Fitbit alleges that Fitbug induces its wellness partners' infringement of U.S. Patent No. 8,177,260. Fitbug remains confident that this case lacks merit and that it possesses significant defences to Fitbit's claims. Fitbug's application to cancel Fitbit's EU trademark registration on the basis of Fitbug's earlier UK trademark registration is currently suspended pending the outcome of Fitbit's retaliatory actions at the UK Trade Marks Registry. Whilst these legal actions are of course an important consideration, Fitbug’s primary focus remains on developing its integrated wearable health technology to increase market share and build investor value.

Financial Review

Fitbug's financial results for the six months ended 30 June 2015 show a pre-tax loss of £3,215,000 (H1 2014: loss of £1,610,000) reflecting the Company’s increased investment in the development of its innovative Kiqplan programme and supporting materials, enhanced marketing programmes and legal and professional fees relating to the Company’s legal action with Fitbit. Cash at 30 June 2015 was £795,000 (30 June 2014: £160,000).

Importantly, we maintain the financial support of NW1 Investments and the Kirsh Group, and post period end successfully raised £1,665,000. This was achieved through a combination of the issue of new ordinary shares of 1 pence each in the Company ("Ordinary Shares") by way of a Placing by our broker Hybridan LLP, subscription by NW1 Investments Limited ("NW1 Investments") and the issue of a new Convertible Loan Note to NW1 Investments. Furthermore, we organised a restructuring of all existing loans on more favourable terms which strengthened the Group's balance sheet, extended the term of the existing loans and reduced our interest rate. The funds raised will support our product enhancement activities, with the ultimate aim of bolstering sales and revenues for the Company.

Outlook

I hope shareholders will agree that we have identified a truly compelling opportunity in the digital health sector and have made strong strides towards capitalising on this effectively. Our first Kiqplan range has been launched and we are close to delivering Kiqplan Version 2 which will provide us with a solid platform from which to scale and grow our business for the benefit of all stakeholders.

David Turner and Allan Fisher
Joint-interim non-executive Chairman

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income
for the period ended 30 June 2015

	Unaudited 6 months	Unaudited 6 months	Audited Year

	Note	ended 30 June 2015 £'000	ended 30 June 2014 £'000	Ended 31 December 2014 £'000
Continuing operations				
Revenue		**991**	914	2,312
Cost of sales – normal	3	**(461)**	(578)	(1,396)
		------------	------------	------------
Gross profit before exceptional items		**530**	336	916
Exceptional write down of obsolete inventory		**-**	-	(48)
		------------	------------	------------
		530	336	868
Operating and administrative expenses - normal	3	**(3,074)**	(1,651)	(3,566)
Operating and administrative expenses – exceptional		**(467)**	(153)	(742)
Finance income		**-**	-	1
Finance costs		**(204)**	(142)	(351)
		------------	------------	------------
Loss for the period before tax		**(3,215)**	(1,610)	(3,790)
Income tax		**-**	-	29
		------------	------------	------------
Loss for the period and total comprehensive income for the period attributable to equity holders of the parent	**3**	**(3,215)**	(1,610)	(3,761)
		------------	------------	------------
Loss per share	2	**(1.3)**	(1.0)	(2.2)
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Consolidated statement of changes in equity for the six months ended 30 June 2015

	Share capital £'000	Share Premium £'000	Retained deficit £'000	Total Equity £'000
Balance at 1 January 2014 (audited)	**1,685**	**1,034**	**(6,159)**	**(3,440)**
Loss and total comprehensive income for the period	-	-	(1,610)	(1,610)
Share based payment	-	-	33	33
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Balance at 30 June 2014 (unaudited)	**1,685**	**1,034**	**(7,736)**	**(5,017)**
Loss and total comprehensive income for the period	-	-	(2,151)	(2,151)
Issue of shares for cash	723	3,287	-	4,010
Costs of raising funds	-	(177)	-	(177)

Share based payment	-	-	34	34
Balance at 31 December 2014 (audited)	**2,408**	**4,144**	**(9,853)**	**(3,301)**
Loss and total comprehensive income for the period	-	-	(3,215)	(3,215)
Share based payment	-	-	281	281
Balance at 30 June 2015 (unaudited)	**2,408**	**4,144**	**(12,787)**	**(6,235)**

Consolidated Balance Sheet
at 30 June 2015

	Unaudited 6 months Ended 30 June 2015 £'000	Unaudited 6 months Ended 30 June 2014 £'000	Audited Year Ended 31 December 2014 £'000
Assets			
Non-current assets			
Intangible assets	**523**	285	471
Property, plant and equipment	**32**	17	16
Total non-current assets	**555**	302	487
Current assets			
Inventories	**1,243**	1,063	1,262
Trade and other receivables	**508**	398	858
Cash and cash equivalents	**795**	160	3,425
Total current assets	**2,546**	1,621	5,545
Total assets	**3,101**	1,923	6,032
Liabilities			
Non-current liabilities			
Borrowings	**6,939**	6,089	6,939
Total non-current liabilities	**6,939**	6,089	6,939
Current liabilities			
Trade and other payables	**1,322**	776	1,319
Borrowings	**1,075**	75	1,075
Total current liabilities	**2,397**	851	2,394
Total liabilities	**9,336**	6,940	9,333
Net liabilities	**(6,235)**	(5,017)	(3,301)

Capital and reserves			
Share capital	**2,408**	1,685	2,408
Share premium	**4,144**	1,034	4,144
Retained deficit	**(12,787)**	(7,736)	(9,853)
Total equity	**(6,235)**	(5,017)	(3,301)

Consolidated cash flow statement
for the six months ended 30 June 2015

	Six months Ended 30 June 2015 £'000	Six months Ended 30 June 2014 £'000	12 Months ended 31 December 2014 £'000
Cash flows from operating activities			
Loss before taxation	**(3,215)**	(1,610)	(3,761)
Adjustments for:			
- Depreciation and amortisation	**76**	6	79
- Share-based payments	**281**	33	67
- Finance income	**-**	-	(1)
- Finance expense	**204**	143	351
Cash flows from operating activities before changes in working capital and provisions	**(2,654)**	(1,428)	(3,265)
- Decrease/(increase) in inventories	**19**	(340)	(539)
- Decrease/(increase) in trade and other receivables	**350**	(85)	(545)
- Increase in trade and other payables	**3**	209	752
Net cash used in operations	**(2,282)**	(1,644)	(3,597)
Cash flow from investing activities			
Purchase of property, plant and equipment	**(22)**	(9)	(13)
Development costs capitalised	**(122)**	(165)	(419)
Finance income	**-**	-	1
Net cash used in investing activities	**(144)**	(174)	(431)
Cash flow from financing activities			
Issue of ordinary shares for cash		-	3,510
Costs directly related to issue of shares		-	(177)
Loan advances		2,000	4,350
Loan repayments		(18)	(18)
Finance expense	**(204)**	(143)	(351)
Net cash generated from financing activities	**(204)**	1,839	7,314

Net increase /(decrease) in cash and cash equivalents	**(2,630)**	21	3,286
Cash and cash equivalents at beginning of period	**3,425**	139	139
Cash and cash equivalents at end of period	**795**	160	3,425

Unaudited notes forming part of the consolidated interim financial statements for the six months ended 30 June 2015

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 Suite 5, 1st Floor, 5 Rochester Mews, London NW1 9JB.

The condensed consolidated interim financial statements of the company for the six months ended 30 June 2015 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 2015 and which were adopted in the audited group financial statements for the year ended 31 December 2014.

The financial information for the year ended 31 December 2014 has been extracted from the statutory accounts for that period. The auditors have reported on the statutory accounts for the year ended 31 December 2014 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 is based on a loss for the period attributable to equity holders of the Parent Company of £3,215,000 (2014 – loss of £1,610,000) and the weighted average number of ordinary shares being in issue for the period of 240,850,530 (2014: 168,514,973).

The exercise of the outstanding options would reduce the loss per share and hence have an anti-dilutive effect. There are 21,100,000 (2014: 13,000,000) shares that could potentially be issued under the terms of options and a further 33,333,334 shares that could be potentially issued under the terms of the convertible loan that will potentially reduce future earnings per share.

3 GOING CONCERN

The condensed interim financial statements for the six months ended 30 June 2015 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 2015 the Group had long term liabilities of £7,939,000, which includes loans of £1,000,000 from Kifin Limited, a Kirsh Group subsidiary, including a £500,000 loan issued under a convertible loan note instrument dated 28 June 2012

The Group also has loans of £6,939,000 from NW1 Investments Limited, a company connected to two of the directors of the Group.

The Directors have prepared financial forecasts which show that the Group has sufficient facilities to meet its 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. The forecasts assume a launch of Kiqplan version 2 in Q3/Q4 2015.

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.

4 SUBSEQUENT EVENTS

The Company announced the results of a new fundraising and debt re-profiling on 10th august 2015:

- £665,000 (before expenses) raised by way of a placing of 26,600,000 new Ordinary Shares in the Company at 2.5 pence per share;
- £350,000 raised by way of subscription from NW1 Investments, which is subscribing for 14,000,000 new Ordinary Shares in the Company at 2.5 pence per share;
- A new £650,000 convertible loan in favour of NW1 Investments repayable by 31 July 2017 at a conversion rate of 3.25p per share;
- Agreed loan restructuring which extends the term on main loans until 31 July 2017 and with interest forgiveness of all interest from 1 April 2015 to 31 December 2015.

This strong support from key stakeholders not only provides the Company with additional funding but also reduces the interest charge and cash requirement.

Management changes: Anna Gudmundson appointed as Chief Executive Officer; Fitbug Holdings plc, David Turner & Allan Fisher appointed as interim Joint Chairman following Fergus Kee stepping down to pursue other business interests.

****ENDS****

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

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Notes

About Fitbug®

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 the Fitbug app and fitbug.com to provide an understanding of each user's daily activity achievements, with mobile and web technology which provides users with personalised weekly activity and nutrition targets, feedback, advice and encouragement.

Its "Kiqplan"™ digital health coaching platform is designed to make wearable technology relevant to new audiences and take the "so what?" out of activity tracking by providing structured action plans to help people get fitter, lighter and lead happier, healthier lives.

Key market sectors and distribution channels include retail, health insurance and rewards providers, workplace health programmes, fitness operators and consumers. An important part of the Company's focus is on building strategic partnerships with organisations which can integrate Fitbug or Kiqplan into their own service/product offerings or resell to their customer base. The Company has operations in the UK and United States. For more information, visit www.fitbug.com and www.kiqplan.com.