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

13 June 2016

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR 2015

Fitbug Holdings, the AIM quoted technology developer and digital wellness pioneer, announces its results for the year ended 31 December 2015.

Key Highlights

- Anna Gudmundson appointed new Group CEO end of August 2015
- Turnaround strategy to position the Company for growth initiated:
    - Focus on service and software opportunity in B2B market
    - Direct consumer retail strategy failed to deliver results anticipated
    - Numerous cost savings and efficiencies implemented
- New version of Kiqplan launched late Q3 2015 and included in B2B corporate wellness offering
- Strengthened management team - breadth of experience in technology, product development and implementation, with significant B2B and public company experience
- Revenues for the year ended 31 December 2015 £1,259,000 (31 December 2014: £2,312,000)
- Year-end pre-tax loss for the year ended 31 December 2015 of £6,303,000 (2014: £3,761,000) includes losses associated with previous unsustainable B2C strategy, investment to facilitate transformation into a B2B corporate wellness provider, and the following exceptional items:
    - Impairment of stock £736,000 (2014 - £48,000)
    - Write off of software development costs £569,000 (2014 - nil)
    - Legal costs £594,000 (2014 - £742,000)
    - Share based payment £473,000 (2014 - £67,000)
    - Returns Provision £216,000 (2014 - nil)
- Encouraging start to trading in 2016 with Q1 sales in the Corporate Wellness sector significantly increased over like for like sales in Q1 2015
- Significant pipeline of potential B2B business

Anna Gudmundson, Chief Executive, commenting on the results, said: "Since taking the helm as CEO in August 2015 I have focussed my efforts on ensuring we have the necessary foundations for growth. Recognising that the previous direct consumer retail focus failed to deliver the commercial results anticipated, we have identified an attractive opportunity within the growing B2B corporate wellness market. Corporate budgets for employee wellness are rising, and we have experienced demand for an integrated employee wellness solution. Our innovative digital wellness platform, which incorporates app-based technology, tracking devices and "corporate challenges", provides a measurable way in which employees can get fitter, healthier and happier, which can in turn improve productivity, reduce absenteeism and lead to enhanced work engagement.

"On a corporate level we have strengthened our board and management team to ensure we have the requisite skill set for growth, implemented a number of cost saving initiatives, and undertaken a thorough review of our operations to ensure we are maximising efficiencies. This robust remedial

action meant that the Company closed 2015 as a very different entity from the one that began it, and I am pleased to report that the Group has experienced an encouraging start to trading in 2016, with Q1 sales in the Corporate Wellness sector significantly increased over like for like sales in the same period of 2015.

"While sales of wearable trackers will remain a significant revenue stream for some time to come, our vision is to reposition the Company from the market's current perception of a supplier of cost effective wearables, into a software as a service provider in the health and wellness technology space. We see our Kiqplan technology as being a significant asset in the pursuit of this goal. Now having a defined growth strategy in place, experiencing increasing traction with key customers and a significant pipeline of potential B2B business, I believe the future of Fitbug is a healthy one."

****ENDS****

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

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Chairman & Chief Executive Statement

2015 was a year of new direction for Fitbug.

As previously announced, the Group delivered a poor financial performance during the year. This was due to a number of factors; in particular, our pursuit of a direct consumer retail strategy that, despite significant investment, failed to deliver the commercial results anticipated.

To address this unsustainable situation, Anna Gudmundson was brought in as the new Group CEO at the end of August 2015. Every part of the strategy and the key people delivering it were then reappraised and tough decisions were made. This has resulted in a turnaround strategy for the Company, and we are delighted to report on the results of this to date have been positive.

Importantly, we believe we have identified a significant target market for our wellness technology: corporate wellness, where we are seeing a significant demand from organisations seeking to use technology to effectively engage their employees in all aspects of wellness. Having a healthier, happier,

fitter workforce not only benefits the individual employees but can lead to increased productivity and reduced absenteeism.

With corporate health solutions, creating ongoing behavioural change is the challenge; Fitbug provides both personalised programmes and corporate engagement activities which, together with our "employee challenges", we believe increase user engagement and lead to ongoing lifestyle changes. In addition, the impact of many traditional wellness solutions is hard to measure; however by combining trackers and software, Fitbug makes employee uptake and engagement measurable for the corporate client.

Finally, the current corporate wellness market is fragmented, with providers aiming to achieve different wellness aspects from the available budget; by targeting our digital wellness platform across our four key pillars (Nutrition, Physical Activity, Sleep and Stress Resilience), utilising both our software and wearable technology capabilities, Fitbug is focussed on providing a fully integrated service solution.

Supporting this refocussed strategy is our new leadership team, which alongside Anna Gudmundson as CEO, includes a new Chairman, a non-executive director and a new director of business development. Our team not only has an impressive track record in building tech businesses but also has the skills required to achieve growth and innovation.

With a revitalised strategy, new board members and management team, innovative service-led tech offering and a clear route to market, we are already seeing the fruits of our labour emerging.

Financial Summary

Fitbug entered 2015 having successfully raised investment capital of £3.5m in December 2014. However, the year began with a disappointment: The District Court for the Northern District of California granted summary judgement against the Group in its trademark dispute against Fitbit Inc. in January 2015. Nevertheless the Company continued to spend significant amounts during the year in pursuing our litigation with Fitbit both in the US and the UK.

In parallel, it became clear during the first half that the Group's strategy of entering the intensely competitive consumer retail market was flawed. Despite investing considerable resources, the Group had underestimated the sales and marketing firepower required to create a visible brand and failed to closely manage sell-through, which meant that remedial actions such as price adjustments were not taken.

Without intensive brand support, consumer interest in the Group's products failed to ignite. By the end of the period our US distributors had received significant returns of unsold stock. This has also led to our writing off a significant amount spent on software development for the consumer market.

Fitbug's financial results for the year ended 31 December 2015 show revenues of £1,259,000 (31 December 2014: £2,312,000) and a loss after tax of £6,303,000 (31 December 2014: loss £3,761,000). Fitbug's cash balance at 31 December 2015 was £698,000 (2014: £3,425,000).

The Group raised £1,015,000 during the period by issuing further equity in August 2015. It also secured £1,300,000 in new loan agreements with NW1 Investments, comprising £650,000 in August and

£650,000 in December 2015, at an interest rate commencing in January 2016 of 2.5% above the Bank of England's base lending rate, payable quarterly in arrears.

The Recovery Plan

Following a £1.66m fundraise in August 2015, Anna Gudmundson was appointed Chief Executive and immediately instigated a root and branch review of the business.

Most urgently, the unsuccessful retail strategy was addressed, and the ensuing months saw significant changes in the way the Company operated. In addition to a complete overhaul of the management team (further details below), we were able to identify substantial savings and efficiencies and we have already taken action to reduce the Company's cost base by over 30% in the current financial year.

At the end of September, a new version of Kiqplan was launched.

As part of the strict refocus during the fourth quarter of 2015, Kiqplan was integrated into the Group's Corporate Wellness offering, the feature roadmap streamlined and focused on Corporate Wellness and six subsequent updates were released. This augurs well for our vision to reposition the Company from the market's current perception of a supplier of cost effective wearables, into a software as a service provider in the health and wellness technology space. We see our Kiqplan technology as being a significant asset in the pursuit of that goal.

Just before the reporting year end, NW1 Investments endorsed the new direction of the company by making available additional funds of £650,000 in order to meet near-term capital requirements.

A Fresh Line-Up

During the period under review the entire Executive Board was refreshed.

In late May 2015, the company's Finance Director Andrew Brummer resigned. As noted above, Anna Gudmundson was appointed Chief Executive at the end of August 2015. In early September, after four years of service, Executive Chairman Fergus Kee stepped down from the board and Ann Jones, Sales Director, left the business in October 2015.

Donald Stewart was appointed Chairman on 30 November 2015 while Paul Landau, Chief Executive of Fitbug Limited, left the Group at the period end.

Since then, the Company has been further strengthened by the appointment of Dr. Mark Ollila as a non-executive director. From his base in San Diego, Mark is respected as an industry leader in mobile media and technology.

Fundraising

The Company is currently considering a potential equity fundraise. The directors believe that an equity raise is the most expedient and efficient method by which to raise the capital Fitbug requires. Discussions with potential investors are on-going and any issue of new shares will be subject to shareholder approval.

The Company is also in discussions with NW1 Investments Limited and Kifin Limited about the current debt Fitbug has with these entities as the directors look to address the company's level of indebtedness.

Outlook

The Group has experienced an encouraging start to trading in 2016 with Q1 sales in the Corporate Wellness sector significantly increased over like for like sales in Q1 of 2015. In addition we believe that Fitbug has a significant pipeline of potential B2B business which we believe to be worth in excess of £1.1m over expected contract lifetimes.

The building blocks of a successful business are now in place, and evidence of the effectiveness of the changes implemented following Anna Gudmundson's appointment are starting to show in increasing revenues and traction with key customers. Fitbug is now in a position to look resolutely forward.

While sales of wearable trackers will remain a significant revenue stream for some time to come, the strategy has been realigned; the legal case with Fitbit has been resolved; and the Group is being directed by a fresh management, complemented by some exceptional specialist talent in the key executive roles.

We are now in the right space, and playing to our strengths.

As at the end of April 2016, the Company had around 100,000 subscribers using its digital products and is confident in the continued growth in this number given our current pipeline of opportunities. We believe Fitbug is now well-placed to meet growing issues in corporate wellness programs: a lack of employee engagement and an inability to measure results.

We have identified a low cost entry point to market, via relationships with strategic partners. Those parties with whom we have engaged to date are confident that our integrated, technology led proposition will be well received. Testament to this was the deepening of our alliance with strategic partner Punter Southall Health and Protection following the successful roll out of our digital wellness solution to four of its clients as announced in March 2016.

The needs of the growing B2B market offer attractive revenue, scale and profitability and we believe Fitbug can play a pivotal, and profitable, role in meeting that need.

Donald Stewart, Chairman, Fitbug Holdings plc
Anna Gudmundson, Chief Executive, Fitbug Holdings plc
13 June 2016

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Continuing Operations			
Revenue		1,259	2,312
Cost of sales - normal		(647)	(1,396)
Gross profit before exceptional items		612	916
Exceptional write down of obsolete inventory		(736)	(48)
Gross profit		(124)	868
Operating and administrative expenses - normal		(5,241)	(3,566)
Operating and administrative expenses - exceptional		(1,162)	(742)
Finance income	9	2	1
Finance costs	9	(5)	(351)
Loss before tax	5	(6,530)	(3,790)
Income tax	10	227	29
Loss for the year and total comprehensive income for the year attributable to equity holders of the parent		(6,303)	(3,761)
Loss per share	4	(2.5)	(2.2)

Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
1 January 2014	1,685	1,034	(6,159)	(3,440)
Loss and total comprehensive income for the year	-	-	(3,761)	(3,761)
Issue of shares for cash	723	3,287	-	4,010
Costs of raising funds	-	(177)	-	(177)
Share-based payment	-	-	67	67

31 December 2014	2,408	4,144	(9,853)	(3,301)
Loss and total comprehensive income for the year	-	-	(6,303)	(6,303)
Issue of shares for cash	407	609	-	1,016
Costs of raising funds	-	(38)	-	(38)
Share-based payment	-	-	473	473
31 December 2015	2,815	4,715	(15,683)	(8,153)

Consolidated Statement of Financial Position
For the year ended 31 December 2015

	Notes	2015	2014
		£'000	£'000
Assets			
Non-current assets			
Intangible assets	11	-	471
Property, plant and equipment	12	29	16
		29	487
Current assets			
Inventories	13	577	1,262
Trade and other receivables	14	751	858
Cash and cash equivalents	15	698	3,425
		2,026	5,545
Total assets		2,055	6,032
Liabilities			
Non-current liabilities			
Borrowings	16	8,739	6,939
		8,739	6,939
Current liabilities			
Trade and other payables	17	894	1,319
Borrowings	16	575	1,075
		1,469	2,394
Total liabilities		10,208	9,333

Net liabilities		(8,153)	(3,301)
Capital and reserves attributable to equity holders of the Company			
Share capital	18	2,815	2,408
Share premium	18	4,715	4,144
Retained deficit		(15,683)	(9,853)
Total equity		(8,153)	(3,301)

Consolidated Statement of Cash Flows
For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Loss after taxation		(6,303)	(3,761)
Adjustments for:			
- Depreciation and amortisation		82	79
- Share-based payments		473	67
- Fx gain loss		(74)	-
- Fx adjustment on consolidation		(66)	-
- Finance income		(2)	(1)
- Finance expense		5	351
- Returns provision		216	-
- Write off of development costs		569	-
- Impairment of stock		736	-
Cash flows from operating activities before changes in working capital and provisions		(4,364)	(3,265)
Increase in inventories		206	(539)
Increase in trade and other receivables		95	(545)
Increase in trade and other payables		(797)	752
Net cash used in operations		(4,860)	(3,597)
Cash flow from investing activities			
Purchase of property, plant and equipment		26	(13)
Development costs capitalised		(167)	(419)
Finance income		2	1

Net cash used in investing activities	(139)	(431)
Cash flow from financing activities		
Issue of ordinary shares for cash	1,015	3,510
Costs directly related to issue of shares	(38)	(177)
Loan advances	1,300	4,350
Loan repayments	-	(18)
Finance expense	(5)	(351)
Net cash generated from financing activities	2,272	7,314
Net increase/(decrease) in cash and cash equivalents	(2,727)	3,286
Cash and cash equivalents at beginning of year	3,425	139
Cash and cash equivalents at end of year	698	3,425

Notes to the Consolidated Financial Statements
For the year ended 31 December 2015

1. General information

Fitbug Holdings plc ("the Company") and its subsidiaries (together "the Group") develops products and services in the health and leisure sectors and has its main centre of operation in the UK.

The Company is a public limited company which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is Suite 5, 1st Floor, 5 Rochester Mews, London NW1 9JB.

The registered number of the Company is 04466195.

2. Basis of preparation and significant accounting policies

The consolidated financial statements and company financial statements of Fitbug Holdings plc have been prepared in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively "IFRSs") as adopted for use in the European Union and as issued by the International Accounting Standards Board, and with those parts of the Companies Act applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Parent Company has elected to adopt IFRSs for the first time in the current year, having previously reported under United Kingdom Generally Accepted Accounting Principles (UK GAAP) and its separate financial statements may be found commencing below.

Going concern

The financial statements have been prepared on the going concern basis which assumes that the Group and the Company will raise sufficient resources, reduce costs and restructure debt to equity to enable it to continue trading for the foreseeable future.

The directors have prepared financial forecasts which suggest that, based on new funds, restructured debt and the implementation of the current strategy; sufficient facilities will be available to meet the Group's short term funding requirements. However the board consider that it will be necessary to secure further longer term funding to support the development of the business and planned growth in the US.

The directors have continued to adopt the going concern concept in preparing the financial statements on the basis that they believe that new funds to be secured in new equity, restructure of the balance sheet through the conversion of debt to equity and the restructuring of share capital will provide sufficient cash until such time that further longer term finance can be sourced.

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 re-classified as current assets and liabilities and provisions would be required for any costs associated with closure.

Adoption of new and revised International Financial Reporting Standard (IFRSs)

At the date of approval of these financial statements, no standards and interpretations were in issue but not yet effective which are expected to have a material impact on the financial statements in the future. There were no standards adopted for the first time in the current financial year which had a material impact on the financial statements.

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings.

Acquired companies have been included in the consolidated financial statements using the purchase method of accounting when the transaction can be identified as a business combination.

The Group is permitted to apply the provisions of s612 of the Companies Act 2006, concerning merger relief, where applicable. In the event of a share for share exchange which gives rise to a holding of more than 90% in a subsidiary company, any premium arising is included in the merger reserve.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies. The cost of investment in a subsidiary is eliminated against the Group's share in the net assets at the date of acquisition. All inter-company receivables, payables, income and expenses are eliminated. Subsidiaries

are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

On disposal of a subsidiary, the consideration received is compared with the carrying cost at the date of disposal and the gain or loss is recognised in the income statement.

Where control of a subsidiary undertaking is lost as a result of the subsidiary issuing equity to a third party or as a consequence of a subsidiary entering into a statutory insolvency arrangement the results of the subsidiary are excluded from the consolidated income statement from the date that control is lost. The remaining investment in the former subsidiary undertaking is classified as an investment, an associate or a joint venture investment in accordance with the terms of the relevant transaction.

Goodwill

Goodwill arising on acquisitions is recognised as an asset and initially measured at cost, being the excess of the cost of the acquired entity over the Group's interest in the fair value of the assets, liabilities and contingent liabilities, acquired. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reviewed.

Impairment of goodwill and other non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell) the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to goodwill. Impairment losses are included in the administrative expenses line item in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of changes in equity. An impairment loss recognised for goodwill is not reversed.

Revenue

The Group is involved in the development and sale of products in the wearables sector. Revenue represents the total amount recognised by the Group for goods and services provided to third parties, excluding VAT and similar taxes.

The Group derives its revenue principally from the sale of wearables products and services. Revenue is recognised on delivery.

Inventories

Inventories 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 estimated selling price less additional costs to completion and disposal.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables) but also include other types of contractual monetary assets. These assets are initially recognised at fair value and subsequent measurement is at amortised cost less any allowance for impairment.

Share-based payment

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. Where equity instruments are granted to persons other than employees, the income statement is charged with fair value of goods and services received.

Property, plant and equipment

Property, plant and equipment are held at cost being the purchase price and other costs directly attributable to bringing the asset into use, less accumulated depreciation and any impairment in value. Depreciation is provided on property, plant and equipment to write off the cost, less estimated residual values, evenly over their expected useful lives on a straight line basis. Lives used for this purpose are:

- Property, plant and equipment - 3 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the loan or borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the year to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

Intangible assets
Expenditure on research is charged to the income statement in the year in which it is incurred. Development costs are charged to the income statement in the year of expenditure, unless individual projects can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits, specifically demonstrating the existence of a market for the output of the intangible asset or the intangible asset itself, or, if it will be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

In such circumstances the costs are carried forward as an intangible non-current asset and amortised over a period not exceeding 3 years commencing in the period the assets are available for use.

The Group uses the straight line method of amortisation and the amount is included in "Administrative expenses" in the Income Statement.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, short term deposits with an original maturity of less than three months.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Foreign currency

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date together with any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Debt for equity swaps

Where equity shares are issued in settlement of outstanding debt, the equity issued is valued at fair value with any difference between the fair value of equity issued and carrying value of debt taken to profit or loss.

3. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience will differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Recognition of assets in respect of product development

The Group's accounting policy is described in note 2 above. The directors have to make key assumptions in relation to the estimated future revenues that will be derived from such expenditure in concluding whether an intangible asset should be recognised.

Share-based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 19.

4. Loss per share Loss per share

The loss per share from continuing and discontinued operations is based on a loss of the year attributable to equity holders of the Parent Company of £6,303,000 (2014: £3,761,000) and the weighted average number of ordinary shares in issue for the year of 255,510,256 (2014: 168,911,331).

The exercise of the outstanding options would reduce the loss per share and hence have an anti-dilutive effect.

There were 4,200,000 (2014: 23,100,000) shares that could potentially be issued under the terms of options as described in note 19 and a further 33,333,334 shares that could be potentially issued under the terms of the convertible loan as discussed in note 16 that will potentially reduce future earnings per share.

5. Loss for the year

The loss for the year has been arrived at after charging:

	2015 £'000	2014 £'000
Staff costs (note 6)	2,063	1,607
Depreciation of plant and equipment	13	11
Amortisation of intangible assets	69	68
Operating lease rentals - property	108	62
Operating lease rentals - other	6	7
Auditors' remuneration (note 8)	27	24
Foreign exchange (gain)	(74)	(100)

Exceptional operating and administrative expenses are legal and professional costs in relation to trademark and patent cases with Fitbit Inc £594,000 and write down of development costs previously capitalised for KiQplan and Fitbug released to the market during the year £568,000.

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Board to make decisions about the allocation of resources and an assessment of performance and about which discrete financial information is available.

The Board has defined that the Group's only operating segment during the period is the development of products and services in the health and leisure sectors. All of the results are allocated to this segment.

Revenue by geographical area:

	2015 £'000	2014 £'000
United Kingdom	1,027	868
USA	(18)	969
Rest of World	250	475
Total	1,259	2,312

6. Staff costs

	2015 £'000	2014 £'000
Salaries and wages	1,435	1,394
Social security costs	155	146
	1,590	1,540
Share based payments (note 19)	473	67
Total	2,063	1,607

The average number of employees of the Group during the year, including directors, was as follows:

	2015 Number	2014 Number
Administration	5	7
Development	9	8
Sales	6	5
Support and project management	7	5

	27	25

7. Directors' remuneration

The remuneration for the directors was as follows:

	2015	2014
	£'000	£'000
Emoluments	418	584

Highest Paid Director

	2015	2014
	£'000	£'000
Emoluments	123	134

Directors' remuneration above relates to remuneration paid to the directors of the parent company by any group company for the periods for which they were directors thereof. During the year, no directors accrued benefits under defined contribution pension schemes (2014: none).

Of the cost of £473,000 (2014: £67,000) charged against profit or loss in respect of share-based payments in the year, £365,000 related to options awarded to the directors at the end of the previous year. No director exercised any share options in the year.

The directors consider that the key management comprises the directors of the company, and their emoluments are set out below:

	Salary & fees	Share based payments	Benefits in kind	Total 2015	Total 2014
	£'000	£'000	£'000	£'000	£'000
Executive directors					
Donald Stewart	7	-	-	7	-
Anna Gudmundson	60	-	-	60	-
Fergus Kee	34	-	-	34	88
Malcolm Fried	-	-	-	-	125

Paul Landau	121	365	2	488	134
Andrew Brummer	60	-	2	62	90
Ann Jones	114	-	2	116	106
Non-executive directors					
David Turner	7	-	2	9	28
Allan Fisher	7	-	2	9	11
Geoffrey Simmonds	-	-	-	-	4
Total	410	365	10	785	586

The total cost of employing the directors, who are the key management personnel, including employer's national insurance was £441,000 (2014: £641,000).

8. Auditors' remuneration

During the year the Group obtained the following services from the Company's auditors

	2015 £'000	2014 £'000
Fee for the audit of the annual financial statements	19	14
Audit of the company's subsidiaries pursuant to legislation	8	6
Taxation services	4	4
Other fees	-	-
Total	31	24

9. Auditors' remuneration

	2015 £'000	2014 £'000
Bank interest receivable	2	1

Total finance income	2	1
Interest payable on Directors' loan	-	(6)
Interest payable on loan from major shareholder	(5)	(345)
Total finance expense	(5)	(351)

10. Auditors' remuneration

	2015 £'000	2014 £'000
Income tax credit for the year	227	29

The tax assessed for the year differs from the applicable rate of corporation tax in the UK. The differences are explained below:

	2015 £'000	2014 £'000
Loss before tax	(6,530)	(3,790)
Loss at the applicable rate of corporation tax in the UK 20.0%	(1,306)	(815)
(2014: 21.5%) Effects of:	95	-
Expenses not deductible and income not taxable for tax purposes		
Temporary timing differences - provisions	-	186
Tax losses carried forward	1,215	630
Research and Development Tax Credit	227	29
Depreciation in excess of capital allowances	(4)	(1)
Income tax credit for the year	227	29

Subject to the agreement of HM Revenue and Customs, the Group has UK tax losses of approximately £17,230,000 (2014: £11,587,000) and US tax losses of approximately £1,525,000 (2014: £1,159,000) to carry forward against future taxable profits. No deferred tax asset has been recognised in relation to the

trading losses available for offset against future taxable profits. The Group and the Company have not recognised a deferred tax asset due to there being insufficient evidence of short term recoverability.

11. Intangible assets

Intangible assets represent goodwill arising on the acquisition of subsidiary undertakings and capitalised costs of developing software products.

	Goodwill on consolidation	Development costs	Total
	£'000	£'000	£'000
Cost			
At 1 January 2014	398	547	945
Additions	-	419	419
Eliminated at end of useful life	(398)	-	(398)
At 1 January 2015	-	966	966
Additions	-	167	167
Write down	-	(1,133)	(1,133)
At 31 December 2015	-	-	-
Amortisation/provision for impairment			
At 1 January 2014	398	427	825
Amortisation	-	68	68
Eliminated at end of useful life	(398)	-	(398)
At 1 January 2015	-	495	495
Amortisation	-	69	69
Write down	-	(564)	(564)
At 31 December 2015	-	-	-
Net book value			
At 31 December 2015	-	-	-
At 31 December 2014	-	471	471
At 1 January 2014	-	120	120

12. Property, plant and equipment

	Plant and equipment
	£'000
Cost	
At 1 January 2014	142
Additions	13
At 1 January 2015	155
Additions	26
Disposals	(84)
At 31 December 2015	97
Depreciation	
At 1 January 2014	128
Charge for the year	11
At 1 January 2015	139
Charge for the year	13
Disposal	(84)
At 31 December 2015	68
Net book value	
At 31 December 2015	**29**
At 31 December 2014	16
At 1 January 2014	14

13. Inventories

	2015	2014
	£'000	£'000
Goods held for resale	**577**	1,262

The cost of inventories recognised as an expense during the period in respect of continuing operations was £648,000 (2014: £1,436,000).

14. Trade and Recievables

	2015	2014
	£'000	£'000
Current Assets		

Trade receivables	188	416
Less: provision for impairment of trade receivables	-	(4)
Provision for credit notes	(12)	-
	176	412
Employee loans	-	5
Prepayments and accrued income	294	291
Income tax receivable	227	-
Other taxes and social security	-	48
Other debtors	54	102
	751	858

Trade receivables disclosed above are classified as financial assets measured at amortised cost. The average credit period on sales of goods is 51 days (2014: 65 days) from the date of the invoice.

Allowances for doubtful debts are recognised against trade receivables that are aged over 30 days and based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Of the trade receivables disclosed above, the amounts that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because the amounts are still considered recoverable are summarised below. The group does not hold any collateral or other credit enhancements over those balances nor does it have a legal right to set off against any amounts owed by the Group to the counterparty.

	2015 £'000	2014 £'000
31 - 60 days	5	52
61 - 90 days	(13)	72
90+ days	145	9
	137	133

Movements in the group provision for impairment of trade receivables are as follows:

	2015 £'000	2014 £'000
Balance at the start of the year	4	-

Provision for receivables impairment	-	30
Provision for credit notes	12	-
Receivables written off during the year as uncollectible	(4)	(26)
At 31 December 2015	12	4

The creation and release of provision for impaired receivables has been included in "operating and administrative expenses" in the Consolidated Statement of Comprehensive Income. Amounts charged to the provision account are generally when there is no expectation of recovering additional cash.

All amounts impaired during the year are debts that were aged over 90 days.

The creation of a credit note provision has been included in Revenue and is in respect of anticipated returns of retail stock in trade where the purchaser has the full right of return.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Employee loans of £262,499 (2014: £262,499) relating to former employees of the Group were outstanding at 31 December 2015 against which a provision for irrecoverable amounts of £262,499 (2014: £257,730) has been made. The employee loans are interest free and repayment is due when the former employees sell their shares in Fitbug Holdings plc. The carrying value of the loans represents the share price of Fitbug Holdings plc at 31 December 2015, as it is deemed to be the recoverable amount upon the employees selling their shares.

The other classes within trade and other receivables do not contain impaired assets.

15. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash at bank and in hand	698	3,425

The Group's cash and cash equivalents are held primarily in Sterling and US Dollars as disclosed below.

16. Borrowings

	2015 £'000	2014 £'000
Current liabilities		
Convertible Loan	500	500
Other Loan	-	500

Directors' loans	75	75
	575	1,075
Non-current liabilities		
Shareholder loans	8,239	6,939
Other Loan	500	-
	8,739	6,939
	9,314	8,014

Directors' loans

Loans from the directors are repayable on 30 June 2016, or earlier at the discretion of the company. Interest was agreed to be waived during the year. It will recommence from 1 January 2016 and will be accrued at a rate of 8% to be paid on 30 June 2016 and the Directors have the option to convert outstanding loan amounts and accrued interest to ordinary shares in Fitbug Holdings plc.

Shareholder loan

During the year, NW1 Investments Limited agreed to provide Fitbug Holdings plc with loans totalling £1,300,000 with an interest rate of 2.5% above the base lending rate of the Bank of England from 1 January 2016. The interest is accrued and the loans fall due on 31 July 2017.

The opening balance of the shareholder loan is split into two loans. £665,000 is interest free and falls due on 31 July 2018 and £6,274,000 which falls due on 31 July 2017 and during the year interest on this loan was waived and will recommence on 1 January 2016 at an interest rate of 2.5% above the base lending rate of the Bank of England. Total interest charged on all the loans during the year is £0 (2014: £265,051). The balance of monies due under the terms of the loan agreements is secured by way of a debenture granted by the company and Fitbug Limited. The debenture entered into by Fitbug Holdings plc and Fitbug Limited constitutes fixed and floating charge over the assets of the Group.

Convertible loan

The £500,000 balance of the loan issued under a convertible loan note instrument dated 28 June 2012 is for a term to 30th June 2016. The Loan interest was waived during the year but will recommence being accrued at a rate of 2.5% above the base lending rate of the Bank of England per annum from 1 January 2016. The holder may convert the remaining loan note, at any time, into 33,333,334 ordinary shares in Fitbug Holdings plc at a price of 1.5 pence per ordinary share.

Other loans

During the year interest on the loan was waived and and the term increased to 31 July 2017. Interest will recommence on 1 January 2016. The loan of £500,000 has an interest rate of 2.5% above the base lending rate of the Bank of England per annum payable on term.

The maturity analysis of the loans is as follows:

	2015	2014
	£'000	£'000
Repayable: Within 1 year	575	1,075
Between 1 and 5 years	8,739	6,939
	9,314	8,014

17. Trade and other payables

Current

	2015	2014
	£'000	£'000
Trade payables	355	775
Other payables	34	93
Provision for credit notes	372	-
Accruals	133	451
	894	1,319

The numbers of days outstanding between receipt of invoice and date of payment, calculated by reference to the amount owed in respect of trade payables at 31 December 2015 as a proportion of amounts invoiced by suppliers during the year was 23 days (2014: 40 days).

18. Share Capital and Share Premium

Allotted, called up and fully paid

Ordinary shares			Ordinary Shares	Share premium
Ordinary shares of 1p each	No.	Issue Price	£'000	£'000
At 31 December 2014	240,850,530		2,408	4,144
August 2015 - issue of shares for cash	40,600,000	2.5p	407	571
At 31 December 2015	281,450,530		2,815	4,715

All shares are equally eligible to receive dividends and the repayment of capital and represent equal votes at meetings of shareholders.

19. Share-based payment

Fitbug Holdings plc operates equity-settled share-based remuneration schemes for employees which are Enterprise Management Incentive ("EMI") Schemes. For the EMI scheme set up on 30 December 2014, the Group granted options to all current employees. These options vest over the next three years and the options expire on the 10th anniversary of the grant date. The only other vesting condition for all schemes is that the employee remains in the Group's employment. All options issued under the 2009 and 2011 schemes have now been forfeited. Details of options in existence over ordinary shares are summarised below:

a) EMI Schemes		2015		2014
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at the beginning of the year	23,100,000	8.46	13,000,000	7.70
Granted during the year	-	-	13,100,000	9.00
Forfeited during the year	(14,400,000)	8.34	(3,000,000)	7.50
Outstanding and exercisable at the end of the year	8,700,000	9.00	23,100,000	8.46

The weighted average exercise price of options outstanding at the end of the year was 9.00p (2014:8.46p) and their weighted average remaining contractual life was 9.01 years (2014: 8.32 years).

The following information is relevant in the determination of the fair value of the 13.1 million options granted during 2014:

Equity-settled	
Option pricing model used	Black and Scholes
Weighted average share price at grant date (pence)	8.875
Exercise price (pence) (4 million at each price)	9
Weighted average expected life (years)	4 years
Expected volatility	175%
Expected dividend yield	Nil
Risk-free interest rate	0.61%, 0.82%, 1.12%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the five year period from 30 December 2009.

The options have no vesting period but cannot be exercised until the share price reaches 9 pence. The binomial model was used to predict that the vesting price would not be reached for 3 years and this is the period over which the value of the options is charged to profit or loss.

The share-based remuneration expense (note 7) comprises:

	2015 £'000	2014 £'000
Equity-settled schemes	473	67

20. Related party transactions

At the year end the group owed D Turner £25,000 (2014: £25,000) and A Fisher £50,000 (2014: £50,000). Interest of £0 (2014: £2,000) and £0 (2014:£4,000) was payable on the loan from D Turner and A Fisher respectively. Interest for the loans was agreed to be waived during the year. It will recommence from 1 January 2016 and will accrue at a rate of 8%.

Loans from and transactions with NW1 Investments Limited, a company in which the family of D Turner and A Fisher have a material interest, are disclosed in note 16 to the consolidated financial statements.

21. Operating lease commitments

Operating leases relate to leases of property. The Group does not have an option to purchase the property at the expiry of the lease periods.

2015 £'000	2014 £'000
Minimum lease payments 108	40
108	40

As at 31 December 2015, the Group had total commitments under non-cancellable operating leases of which total future rental payments are as follows:

	2015 £'000	2014 £'000
Not later than 1 year	78	17
Later than 1 year and not older than 5 years	263	42
More than 5 years	252	-

22. Financial instruments

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 2.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

	2015 £'000	2014 £'000
Current financial assets		
Trade and other receivables	231	519
Cash and cash equivalents	698	3,425
Total current financial assets	929	3,944

	2015 £'000	2014 £'000
Current financial liabilities		
Trade and other payables	355	775
Borrowings	575	1,075
	930	1,850
Non-current financial liabilities		
Long term borrowings	8,739	6,939
Total financial liabilities	9,669	8,789

There is no significant difference between the fair value and the carrying value of financial instruments.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports from the Finance Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk
Credit risk arises principally from the Group's trade and other receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements. Further information in respect of the Group's credit risk is disclosed in note 14.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with high credit ratings.

Liquidity risk
The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. However, the Group continues to absorb cash in its operations for the time being and management recognises the risk of insufficient cash and capital to carry on its activities and safeguard the Group's ability to continue as a going concern.

The Board receives cash flow projections on a regular basis which are monitored regularly. The Board will not commit to material expenditure in respect of its ongoing development programme prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes. Regular reviews will ensure that further steps will be taken to cut additional overheads if necessary.

It should be noted that some of the Group's financial instruments are due for repayment in more than one year (see note 16).

Interest rate risk and fair value risk
There is no significant interest rate risk in respect of temporary surplus funds invested in deposits and other interest-bearing accounts with financial institutions as the operations of the Group are not dependent on the finance income received. The Group was, however, exposed to interest rate risk on the loan from NW1 Investments Limited which attracts a rate of interest of 2.5% above the base lending rate of the Bank of England from 1 January 2016. The Board does not undertake hedging arrangements. The Group is subject to fair value risk on fixed interest loans described in note 16 which total £9,239,000.

Capital
The Group considers its capital to comprise its ordinary share capital, share premium and retained deficit as its equity capital. In managing its capital, the Group's primary objective is to provide a return for its equity shareholders through capital growth and future dividend income. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long- term operational and strategic objectives. At 31 December 2015 all of the Group's funding

is primarily by way of the borrowings set out in this note. Equity has been exhausted by cumulative losses to date.

Details of the Group capital are disclosed in the Group Statement of Changes in Equity.

There have been no other significant changes to the Group's management objectives, policies and processes in the year nor has there been any change in what the Group considers to be capital.

Currency risk
The Group is not exposed to any significant currency risk. The Group also manages its currency exposure by retaining the majority of its cash balances in sterling.

Financial assets and liabilities are held in the following currencies at the year-end:

	2015		2014	
	Sterling	US Dollars	Sterling	US Dollars
	£'000	£'000	£'000	£'000
Trade and other receivables	229	2	227	340
Cash and cash equivalents	648	50	3,379	46
Trade and other payables	345	44	412	363
Borrowings	9,314	-	8,014	-