Fitbug Holdings PLC - KIN
Final Results for the year ended 31 December 2016

Released 07:00 03-Apr-2017

RNS Number : 2771B
Fitbug Holdings PLC
03 April 2017

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

RNS REGULATORY ANNOUNCEMENT:
Embargoed 7.00am - 3 April 2017

Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR).

FITBUG HOLDINGS PLC ('FITBUG' OR 'THE COMPANY')

FINAL RESULTS FOR YEAR ENDED 31 DECEMBER 2016

Fitbug Holdings, the AIM quoted digital wellness technology provider for corporate organisations, announces its results for the year ended 31 December 2016.

Key Highlights

- Revenues for the year ended 31 December 2016 £1,077,000 (31 December 2015: £1,259,000)
- Loss for the year ended 31 December 2016 of £3,536,000 reduced by 42% in comparison with the loss for 2015 of £6,303,000
- Business shifted from retail devices to corporate digital wellness: B2B sales have increased to 82% of the Group's revenues
- Operating costs savings of over 30% compared with aggregate operating costs incurred in 2015
- Recurring service revenues started to accumulate during the year
- Settled litigation with Fitbit
- Successfully raised £2.61m in cash in July 2016
- Converted £8.4m of long term debt into equity in July 2016
- Outsourced development function to access additional talent and other support functions to drive efficiencies
- Since the year end, the Company has raised a further £1m (before expenses) by way of a share placing.

Anna Gudmundson, Chief Executive, commenting on the results, said: "In 2016 we executed the most significant parts of our strategy to turn the business around and to reposition Fitbug as a B2B digital services provider in the corporate wellness industry. In practice, this involved major cost optimisation, as well as a series of restructuring initiatives designed to break from Fitbug's past and allow the business to move forward with speed and focus.

During 2016 we achieved the following main objectives: we proved the opportunity in the corporate wellness market, we reduced long-term debt over the year by a net £6.8m and we raised a total of £2.61m in cash. We also dramatically reduced our losses before tax from £6.3m to £3.5m, we closed down our loss-making retail operations, and we outsourced development to access additional talent and other support functions to drive cost efficiencies. The benefits from the cost savings from the restructuring in 2016 are expected to have a positive impact into the first half of 2017, with the Group making up to 30% savings in personnel costs in comparison with the first half of 2016. As a result of shifting the business from retail devices to corporate digital wellness, 82% of the Group's revenues are now business to business.

We have started 2017 with a strong pipeline of quality prospects. We have also embarked on a direct-to-corporate sales programme. This will allow Fitbug to focus on creating a greater number of good quality business leads both in the short and longer term, and not rely only on our strategic partners."

"We have successfully brought a digital corporate wellness product to market in an extremely short space of time." Gudmundson summarised. "In 2016 the Group rolled it out to paying customers while simultaneously maturing and better refining the proposition to meet market needs."

Donald Stewart, Chairman, said: "While Fitbug's financial performance in 2016 is what might be expected in a year of turnaround and change of commercial direction, our headline results do not betray the amount of activity which has gone into achieving them. Most importantly in 2016 we have witnessed the economic acorn for future growth: the Group's first sight of recurring service revenues. This is the foundation on which the future of the business will be built.

"We are currently experiencing healthy interest in the Group's products with a continuous flow of enquiries and conversations with direct and indirect customers. Many of these customers are household names and the Board is in no doubt that corporate interest in health and wellness is growing. The Directors believe that this is an idea whose time has come.

"The Board remains mindful, as always, that the road to conversion of many of these potential customers from first contact to sales is long. As a result the Group's needs for further development capital, particularly to expand its bandwidth to deal with the many potential opportunities which it is currently experiencing, continue as the sales process continues to develop."

Contacts:

Anna Gudmundson / Donald Stewart	Fitbug Holdings Plc	020 7449 4949
Mark Brady / Neil Baldwin	SPARK Advisory Partners Limited (Nominated Adviser)	020 3368 3551
Claire Louise Noyce / William Lynne / Niall Pearson	Hybridan LLP, Broker	020 3764 2341
Stephanie Forrest	T/F/D, Public Relations	07917 695755

NOTES:

1 Basis of preparation

The condensed Group financial statements for the year ended 31 December 2016 included in this report do not constitute statutory accounts. The condensed Group financial statements are extracted from the Group's statutory financial statements for the year ended 31 December 2016. The auditor has reported on those statutory financial statements; their report was unqualified and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation, but did contain a paragraph of emphasis of matter relating to going concern without qualifying their report.

While the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs.

The condensed Group financial statements have been prepared on a basis consistent with that adopted in the previous year's published financial statements and in accordance with IFRSs.

The Group expects to publish statutory financial statements for the year ended 31 December 2016 that comply with both IFRSs as adopted for use in the European Union and IFRSs as compliant with the Companies Act 2006 and Article 4 of the EU IAS Regulations based on the information presented in this announcement.

The condensed financial statements were approved by the Board on 2 April 2017.

Audited statutory accounts for the year ended 31 December 2015 have been delivered to the registrar of companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2015 was unqualified, did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, but did contain a paragraph of emphasis of matter relating to going concern without qualifying their report.

2. Annual Report and Accounts

The Annual Report and Accounts for the year ended 31 December 2016 will be despatched to shareholders on or around 4 April 2017 and will be available on the Company's website - www.fitbugholdings.com from that time.

Chairman and Chief Executive's Statement

Overview

2016 has been dominated by the Group's continued focus on implementing its turnaround strategy. We have witnessed encouraging progress, which has involved concentrating our resources on providing digital wellness solutions to the corporate sector through our key partners.

In light of the Group's new strategy, first announced at the end of 2015, we regard Fitbug's financial performance in 2016 as an improvement over 2015 in certain important areas. During the year B2B sales have increased to 82% of the Group's revenues and the Group has achieved significant aggregate operating costs savings of over 30% compared with aggregate operating costs incurred in 2015, and with operating losses for the year reduced by 42%.

Otherwise Fitbug's financial performance in 2016 is what might be expected in a year of turnaround and change of commercial direction.

Revenues for the year at £1.1m are slightly behind 2015 (£1.26m). Sales started strongly in the first half of 2016. The second half illustrated that when dealing with major corporate organisations the path to sales is long with many twists and turns. The lower revenues in the second half can be largely attributed to unanticipated delays in the implementation of their plans by a small number of major customers.

In spite of that the Board is satisfied that the new course for the business has been set. Although sales of devices remained a significant part of the Group's revenues in 2016, recurring service revenues also started to accumulate during the year. This is an important green shoot illustrating and underpinning the changing nature of the Group's business. Ultimately recurring service revenues will form the bedrock of the Group's income.

Most significantly during the year the Group's change of direction was fully endorsed by the Kirsh Group, which through NW1 and Kifin remains our largest shareholder and long term lender, as Fitbug successfully raised £2.61m in cash from them and other investors and converted £8.4m of their long term debt into equity in July 2016.

Business Transformation

Much has changed at Fitbug during 2016.

We started the year by settling our litigation with Fitbit. It had become clear that pursuing matters further was a distraction to Fitbug's business and that, given our new strategy, was not where the future of Fitbug lay.

We had some encouraging sales in the first half, particularly to a large corporate customer.

In the second half we witnessed considerable interest in the Group's products as we engaged with many new potential corporate customers and potential commercial partners including outsourcing and benefits groups, financial institutions, consultancies, retailers, and on-line service providers. But as commonly happens with large corporate customers, their health and wellness plan deployments were delayed or slowed resulting in lower sales in the second half than the Board had expected.

As part of our root and branch restructuring of the Group during 2016 the number of permanent staff has been reduced by two-thirds and, in order to allow remaining staff to focus clearly on core business issues, much of our support functions, including finance, payroll, IT support and HR, have been outsourced. Unfortunately as part of this process we have had to say farewell to many Fitbug "lifers". However, we have also said hello during the year to some highly talented new blood rising to the challenges of our new business direction. We now have a substantially smaller, more focused and more experienced team.

Our digital wellness platform has been further developed and rolled out with paying customers both internationally and at home in the UK. Our commercial website has also been completely rewritten and renewed.

In the second half of the year we created a new development team in Bulgaria where we can find the talented people we need to help us to keep developing our digital offering.

In December 2016 we announced that we have started working with Olympic gold medallist Sally Gunnell OBE. By combining Sally's workplace wellbeing programmes and strong corporate network with Fitbug's digital platform this arrangement has already resulted in a number of new customer opportunities for the Group and has borne fruit with our successful MTR Crossrail case study and a contract with a major consumer goods company.

Financial Summary

Fitbug's financial results for the year ended 31 December 2016 show revenues of £1,077,000 (31 December 2015: £1,259,000) and a loss after tax of £3,536,000 (31 December 2015: loss £6,303,000). Fitbug's cash balance at 31 December 2016 was £23,000 (2015: £698,000).

On 25 July 2016 the Group raised £2,611,066 by way of a placing and open offer, underwritten by NW1, issuing 613,916,438 new ordinary shares at 0.25p per share to raise £1,534,791 and new loan notes for the balance of £1,076,275. In addition £8.4m of debt was converted into 336,000,000 ordinary shares issued at 2.5p per share. The new loan notes have transferrable rights to subscribe for up to £1,076,275 of Fitbug ordinary shares at 0.25p per share for 5 years provided exercise does not result in the holder or any person with whom the holder is acting in concert (as defined in the City Code) holding, in aggregate, over 49.9% of the then issued share capital.

Outlook

Following the period end Fitbug successfully raised a further £1m through a placing of 500m new ordinary shares at 0.2 pence per share on 25 January 2017.

We have also announced a number of new contracts with a variety of corporate customers including a global financial services company, a consumer goods company and a successful case study with MTR Crossrail.

We are currently experiencing healthy interest in the Group's products with a continuous flow of enquiries and conversations with direct and indirect customers. Many of these customers are household names and the Board is in no doubt that corporate interest in health and wellness is growing. The Directors believe that this is an idea whose time has come.

In our ongoing relationships with our existing partners and in working with new direct customers we are continually reviewing how to accelerate our route to market and improve our value proposition. To support this effort obtaining continuous feedback is an important part of the way we work.

The Board remains mindful, as always, that the road to conversion of many of these potential customers from first contact to sales is long. As a result the Group's needs for further development capital, particularly to expand its bandwidth to deal with the many potential opportunities which it is currently experiencing, continue as the sales process continues to develop.

Donald Stewart, Chairman, Fitbug Holdings plc

Anna Gudmundson, Chief Executive, Fitbug Holdings plc

Company number: 04466195

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	**Year ended 31 December 2016 £'000**	Year ended 31 December 2015 £'000
Revenue	5	**1,077**	1,259
Cost of sales		**(749)**	(647)
Gross profit before exceptional items		**328**	612
Exceptional write down of obsolete inventory		**146**	(736)
Exceptional write back of returns provision		**106**	-
Gross profit/(loss)		**580**	(124)
Operating and administrative expenses - normal	6	**(4,134)**	(5,241)
Operating and administrative income/(expenses) - exceptional	7	**49**	(1,162)
Finance income	11	**-**	2
Finance costs	11	**(203)**	(5)
Loss before taxation		**(3,708)**	(6,530)
Income tax	12	**172**	227
Loss for the year and total comprehensive income for the year attributable to equity holders of the parent		**(3,536)**	(6,303)
Loss per share (pence)		**(0.01)**	(2.5)

Consolidated Statement of Financial Position

as at 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Non-current assets			
Property, plant and equipment	14	**18**	29
		18	29
Current assets			
Inventories	16	**167**	577
Trade and other receivables	17	**420**	751
Cash and cash equivalents	18	**23**	698
		610	2,026
Total assets		**628**	2,055
Non-current liabilities			
Borrowings	20	**(1,915)**	(8,739)
		(1,915)	(8,739)
Current liabilities			
Trade and other payables	19	**(675)**	(894)
Borrowings	20	**(75)**	(575)
		(750)	(1,469)
Total liabilities		**(2,665)**	(10,208)
Net liabilities		**(2,037)**	(8,153)
Equity			
Share capital	22	**3,764**	2,815
Share premium account	22	**13,543**	4,715
Retained deficit		**(19,344)**	(15,683)
Total equity		**(2,037)**	(8,153)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital £'000	Share premium account £'000	Retained deficit £'000	Total equity £'000
Balance as at 1 January 2015	**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 payments	-	-	473	473
Balance as at 31 December 2015	**2,815**	**4,715**	**(15,683)**	**(8,153)**
Loss and total comprehensive income for the year	-	-	(3,536)	(3,536)
Issue of shares	949	8,985	-	9,934
Costs of raising funds	-	(157)	-	(157)
Share-based payments			(125)	(125)
Balance as at 31 December 2016	**3,764**	**13,543**	**(19,344)**	**(2,037)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 **£'000**	2015 £'000
Cash flows from operating activities		
Loss after taxation	**(3,536)**	(6,303)
Adjustments for:		
Depreciation and amortisation	**11**	82
Share-based payments	**(125)**	473
Fx gain loss	**-**	(74
Fx adjustment on consolidation	**-**	(66)
Finance income	**-**	(2)
Finance expense	**203**	5
Returns provision	**(106)**	216
Write off development costs	**-**	569
Impairment of Stock	**(146)**	736
Cash flows from operating activities before changes in working capital and provisions	**(3,699)**	(4,364)
Decrease in inventories	**556**	206
Decrease in trade and other receivables	**437**	95
Decrease in trade and other payables	**(329)**	(797)
Net cash used in operations	**(3,035)**	(4,860)
Cash flow from investing activities		
Purchase of property, plant and equipment	**-**	26
Development costs capitalised	**-**	(167)
Finance income	**-**	2
Net cash flow from investing activities	**-**	(139)
Cash flow from financing activities		
Issue of ordinary shares for cash	**1,535**	1,015
Costs directly related to issue of shares	**(157)**	(38)
Loan advances	**1,076**	1,300
Finance expense	**(94)**	(5)
Net cash generated from financing activities	**2,360**	2,272
(Decrease)/increase in cash and cash equivalents in the year	**(675)**	2,727
Cash and cash equivalents at beginning of year	**698**	3,425
Cash and cash equivalents at the end of the year	**23**	698

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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 6th Floor, Kildare House, 3 Dorset Rise, London, EC4Y 8EN.

The registered number of the company is 04466195.

2 Basis of preparation and significant accounting policies

The consolidated financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as endorsed by the European Union ("IFRS-EU"), and those parts of the Companies Act applicable to companies reporting under IFRS.

These consolidated financial statements have been prepared under the historical costs convention, as modified for the fair value of certain financial instruments.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group and the Company will raise sufficient resources to enable them to continue trading for the foreseeable future.

The directors have prepared financial forecasts which are based on the business strategy implemented and proven in 2016, as detailed in the report of the directors on pages • to •, together with new funding, which show there will be sufficient facilities available to the Group for its short-term funding requirements.

The forecasts include significant growth from new customers and the board believe that this income will be achieved. Whilst there is no reason to suggest that the targets cannot be met and exceeded, in common with other businesses, achieving significant growth is not certain.

To support the development of the business and planned growth in 2017, the board consider that it will be necessary to secure further longer term funding and whilst that may be uncertain, they are considering a number of options and believe that they will be able to raise funds when they are required.

The directors therefore continue to adopt a going concern basis for preparing these financial statements, which do not include any adjustments that would otherwise be necessary.

Impact of new standards

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.

Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss in these financial statements. Fitbug Holdings plc reported a loss on ordinary activities after tax £2,914,000 for the year ended 31 December 2016 (2015: £5,377,000).

Basis of consolidation

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

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 exchange which gives rise to a holdings of more than 90% in a subsidiary company, any premium arising is included in the merger reserve.

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.

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 in 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 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 acquisition 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 the 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 carries 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 recognition

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 wearable 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.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date and whether 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.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

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 the profit and loss on a straight line basis over the lease term.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in Other Comprehensive Income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfer from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of tangible fixed assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

- Property, plant and equipment 3 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Research and development expenditure

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.

Valuation of investments

In the Company's financial statements investment in subsidiary undertakings are stated at cost less and permanent diminution.

Impairment of fixed asset investments

An impairment review of fixed asset investments is conducted annually and any resulting impairment loss is measured and recognised on a consistent basis.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade payables are measured at amortised cost using the effective interest method, less any impairment. Interest payable is recognised by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

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.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non- current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method. Interest is recognised in the Statement of Comprehensive Income.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as deduction net of tax, before proceeds.

Share based payments

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.

Share options that were cancelled during the year have been adjusted for by accelerating the total share option expense and recognised in full in the current year. This treatment has been applied to staff who had options and who were made redundant during the year. Share options forfeited during the year have been adjusted for by reversing the share option expense previously recognised in respect of those options and this has been applied to options where staff have left during the year.

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Pounds Sterling (£) which is also the Group's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing at the year end. Revenue and expenditure items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, are recognised in other comprehensive income and accumulate in equity.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the costs of that asset, until such time when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Capitalisation of borrowing costs commences when the expenditure directly attributable to the asset is incurred, when the borrowing costs are incurred and when the activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Any investment income earned as a result of temporary investment of specific borrowings awaiting expenditure on a qualifying asset, is reduced from the amount capitalised.

All other borrowing costs are recognised as an expense in the statement of comprehensive income in the period to which they relate.

3 Critical accounting estimates and judgements

The group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated on historical experience and other factors, including expectations of future events that are believed to be reasonable under 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 24.

Trade receivables

All customers are credit checked and receive credit rating reviews; a full review of the debtor ledger is carried out to determine if a bad debt provision is required for each balance.

Impairment review

Impairment testing is carried out for all non-current assets at the year end date or where there is an indication that impairment exists. For the purposes of impairment testing, the carrying amounts of the non-current assets are reviewed and an impairment loss is recognised where the carrying amounts exceed the assets recoverable amount.

Useful lives

Depreciation methods, useful lives and residual balances are reviewed at each Consolidated Statement of Financial Position date. The gain or loss arising on the disposal or retirement of a tangible fixed asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income.

4 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 £2,914,000 (2015 - £5,377,000) and the weighted average number of ordinary shares in issue for the year of 701,905,347 (2015 - 255,510,256).

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

There were 113,837,413 (2015 - 4,200,000) shares that could potentially be issued under the terms of options as described in note 24 and a further 430,510,000 (2015 - 33,333,334) shares that could be potentially issued under the terms of the convertible loan as discussed in note 20 that will potentially reduce future earnings per share.

5 Analysis of turnover

	2016 £'000	2015 £'000
An analysis of turnover by geographical location is as follows:		
United Kingdom	**314**	1,027
United States	**34**	(18)
Asia and rest of world	**272**	250
EMEA (outside UK)	**457**	-
	1,077	1,259

An operating segment is a distinguishable component of the Group that engages in business activities from which it many 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.

6 Loss for the year

	2016 £'000	2015 £'000
The loss for the year has been arrived at after charging:		
Staff costs (note 9)	**1,035**	2,063
Depreciation of plant and equipment	**11**	13
Amortisations of intangible assets	**-**	69
Operating lease rentals - property	**122**	108
Operating lease rentals - other	**-**	6
Auditors' remuneration	**32**	27
Foreign exchange gain	**(24)**	(74)

7 Exceptional items

	2016 £'000	2015 £'000
Share based payment (note 24)	**(125)**	-
Redundancy costs	**76**	-
Legal costs	**-**	594
Write down of development costs		568
	(49)	1,162

8 Auditors' remuneration

	2016 £'000	2015 £'000
Fees payable to the Group's auditors in respect of:		
The auditing of accounts of the Company pursuant to legislation	**19**	19
Audit of the company's subsidiaries pursuant to legislation	**13**	8
Other services in relation to taxation	**6**	4
	38	31

9 Staff numbers and costs

The average monthly number of employees (including executive directors) was:	**2016 No.**	2015 No.
Administrative	**`10**	5

Development	**4**	9
Sales	**2**	6
Support and project management	**2**	7
Marketing	**1**	-
	19	27

Their aggregate remuneration comprised:

	2016	2015
	£'000	£'000
Wages and salaries	**1,078**	1,432
Social security costs	**61**	155
Pension costs	**21**	3
Share based payments	**(125)**	473
	1,035	2,063

10 Remuneration of directors

	2016	2015
	£'000	£'000
Emoluments	**296**	418
Highest paid director:		
Emoluments	**192**	123

Director's 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 there. During the year, two directors accrued benefits under defined contribution pension schemes (2015: none).

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	Pension	Total 2016	Total 2015
Executive Directors						
Anna Gudmundson	180	-	1	11	192	60
Richard Goodlad	10	-	-		10	-
Fergus Kee	-	-			-	34
Paul Landau	-	-			-	488
Andrew Bummer	-	-			-	62
Ann Jones	-	-			-	116
Non-Executive Directors						
Donald Stewart	52	-			52	7
David Turner	3	-			3	9
Allan Fisher	3	-			3	9
Tyler Tarr	10	-			10	-
Heidi Steiger	4	-			4	
Mark Ollila	22	-			22	-
Total	284	-	1	11	296	785

11 Finance income and expenses

	2016	2015
	£'000	£'000
Bank interest receivable	**-**	2
Total finance income	**-**	2
Other interest payable	**2**	-
Interest payable on loan from major shareholder	**(201)**	(5)
Total finance expenses	**(203)**	(5)

12 Taxation

	2016	2015
	£'000	£'000

Current tax		
Income tax credit for the year	**(172)**	(227)
Total current tax (credit)	**(172)**	(227)
Deferred tax		
Current year	**-**	-
Adjustments in previous periods	**-**	-
Total deferred tax	**-**	-
Total tax (credit)	**(172)**	(227)

Reconciliation of effective tax rate

Tax assessed for the year is lower than (2015: lower than) the standard rate corporation tax of 20% (2015: 20.50%). The differences are explained below:

	2016 **£'000**	2015 £'000
Profit before tax	**(3,708)**	(6,530)
Tax using the UK corporation tax rate of 20% (2015: 20.00%)	**(742)**	(1,306)
Share based payment disallowed	**(25)**	-
Expenses not deductible for tax purposes other than goodwill amortisation and impairment	**25**	95
Other income not taxable	**1**	-
Tax losses carried forward	**743**	1,215
Research and development tax credit	**(172)**	(227)
Depreciation in excess of capital allowances	**(1)**	(4)
Total tax (credit)/charge	**(172)**	(227)

Subject to the agreement of HMRC, the Group has UK tax losses of approximately £19,040,000 (2015 - £17,230,000) and US tax losses of approximately £2,310,000 (2015 - £1,928,000) 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 deferred tax asset due to there being insufficient evidence of short term recoverability.

13 Intangible assets

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

	Goodwill on consolidation £'000	**Development costs £'000**	**Total £'000**
Cost			
At 1 January 2015	-	966	966
Additions	-	167	167
Written down	-	(1,133)	(1,133)
At 31 December 2015 and at 31 December 2016	-	-	-
Depreciation			
At 1 January 2015	-	495	495
Charge for year	-	69	69
Written down	-	(564)	(564)
Foreign Exchange			
At 31 December 2015 and at 31 December 2016	-	-	-
Net book value			
At 31 December 2015 and at 31 December 2016	-	-	-
At 31 December 2014	-	471	471

14 Property, plant and equipment Group

	2016 £'000	2015 £'000
Cost		
At 1 January	**97**	155
Additions	**19**	26
Disposals	**(71)**	(84)
At 31 December	**45**	97
Depreciation		
At 1 January	**68**	139
Charge for year	**11**	13
On disposals	**(52)**	(84)

At 31 December	**27**	68
Net book value		
At 31 December	**18**	29
At 31 December	**29**	16

15 Investments

Company	Investments in subsidiaries £'000
Cost	
As at 1 January 2016 and 31 December 2016	1,171
Impairment	
As at 1 January 2016 and 31 December 2016	-
Net Book Value	
As at 31 December 2016	1,171
As at 31 December 2016	1,171

The companies in which the Company's interest at the year end is more than 20% are as follows:

Name	Country of incorporation	Principal activity	Percentage of Shareholding
Fitbug Limited	England & Wales	Provision of online health and well-being services	100%
Fitbug Inc.	United States	Provision of online health and well-being services	100%

Shares in Fitbug Inc. are held by Fitbug Limited.

All shares held are ordinary equity shares. The percentages above reflect both holding and voting rights.

16 Inventories

	Group	
	2016 £'000	2015 £'000
Goods held for resale	**167**	577
	167	577

The costs of inventories recognised as an expenses during the period in respect of continuing operations was £749,000 (2015 - £648,000)

17 Trade and other receivables

	Group	
	2016 £'000	2015 £'000
Trade receivables	**158**	188
Provision for credit notes	**-**	(12)
Amounts owed by Group companies	**-**	-
Prepayments & accrued income	**34**	294
Income tax receivable	**172**	227
Other debtors	**56**	54
	420	751

Trade receivables disclosed above are classified as financial assets at amortised cost. The average credit period on sales of goods is 88 days (2015: 51 days) from the date of 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 sumarised 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.

	Group	
	2016	2015
	£'000	£'000
31-60 days	**3**	5
61-90 days	**6**	(13)
91-120 days	**15**	145
>120 days	**124**	-
	148	137

	Group	
	2016	2015
	£'000	£'000
Balance at the start of the year	**12**	4
Provision for credit notes	**-**	12
Receivables written off in the year as uncollectable	**(111)**	(4)
At 31 December 2016	**(99)**	12

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 (2015 - £262,499) relating to former employees of the group were outstanding at 31 December 2016 against which a provision for irrecoverable amounts of £262,499 (2015 - £262,499) has been made. The employee loans are interest free and repayment is due when the former employees sell their shares in Fitbug Holdings plc.

18 Cash and cash equivalents

	Group	
	2016	2015
	£'000	£'000
Cash and cash equivalents	**23**	698

The Group's cash and cash equivalents are held primarily in Sterling and US Dollars as disclosed in note 25.

19 Trade and other payables

Amounts falling due within one year

	Group	
	2016	2015
	£'000	£'000
Trade payables	**347**	355
Other payables	**21**	34
Provision for credit notes	**-**	372

Amounts owed to Group companies	**-**	-
Taxation and social security	**35**	
Accruals and deferred income	**272**	133
	675	894

The number of days outstanding between receipt of invoice and date of payment, calculated by reference to the amount owed in respect of trade payables as at 31 December 2016 as a proportion of amounts invoiced by suppliers during the year was 209 days (2015 - 23 days).

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

20 Borrowings

	Group	
	2016 £'000	2015 £'000
Current liabilities		
Convertible loan	**-**	500
Director's loans	**75**	75
	75	575
Non-current liabilities		
Shareholder loans	**1,915**	8,239
Other loan	**-**	500
	1,915	8,739

Director's loans

Loans from former directors were to be repayable on 30 June 2016, or earlier at the discretion of the company. Loans were not repaid at this time and interest is now being repaid monthly at an annual rate of 8%. The former directors have the option to convert the outstanding loan amounts to ordinary shares in Fitbug Holdings PLC.

Shareholder Loans

As at 31 December 2016, the company has loans outstanding to NW1 totalling £1,915,275.

Of this amount, £500,000 is in the form of a secured loan note repayable on 31 July 2018 carrying interest of 4 per cent per year over the Bank of England base rate, and £1,076,275 will be in the form of a secured loan note repayable on 31 July 2019, again carrying interest of 4 per cent per year over the Bank of England base rate. The remaining £339,000 loan will be repayable on 31 July 2020 and will carry interest at 2.5% per year over the Bank of England base rate.

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 and NW1 exercised its right to convert this to New Ordinary shares at the end of July 2016.

The maturity analysis of the loans is as follows:

	Group	
	2016 £'000	2015 £'000
Repayable:		
Within one year		575
Repayable 1 and 5 years	**1,915**	8,739
	1,915	9,314

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2016 £'000	2015 £'000
Less than one year	**115**	78
Between one and five years	**-**	263
Over 5 years	**-**	252
	115	593

22 Share capital and share premium

Allotted, called up and fully paid	No.	Issue price £	Ordinary Shares £'000	Share premium £'000
At 31 December 2015	281,450,530	0.025	2,815	4,715
Issue of shares for equity	340,800,000	0.0025	340	511
Issue of shares for equity	296,000,000	0.025	296	7,104
Issue of shares for equity	40,000,000	0.025	40	960
Issue of shares for equity	77,116,438	0.0025	77	116
Issue of shares for equity	196,000,000	0.0025	196	294
Costs of issuing shares				(157)
As at 31 December 2016	**1,231,366,968**	**-**	**3,764**	**13,543**

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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

23 Earnings per share

Loss for the year and total comprehensive income	3,536,000
Weighted average number of ordinary shares in issue	701,905,343
Loss per share	**0.01**

24 Share-based payment

Fitbug Holdings plc operates equity-settled share-based remuneration for employees which are Enterprise Management Incentive ("EMI") Schemes. For the EMI scheme set up on 31 December 2014, the Group granted options to all current employees. These options vest over the three years from the grant date and 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. During the year all but one of fifteen employees' 2014 share options were forfeited or cancelled. All options issued under the 2009 and 2011 schemes were forfeited during 2015. In July 2016 new options were granted to Directors and employees. The 2016 options have the same conditions as the 2014 options.

Details of options in existence over ordinary shares are summarised below:

a) EMI Schemes

	2016		2015	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
Outstanding at the beginning of the year	**8,700,000**	**9.00**	23,100,000	8.46
Granted during the year	**113,837,413**	**0.37**	-	-
Forfeited/cancelled during the year	**8,700,000**	**9.00**	(14,400,000)	8.34
Outstanding and exercisable at the end of the year	**113,837,413**	**0.37**	8,700,000	9.00

The weighted average exercise price of options outstanding at the end of the year was 0.37p (2015 - 9.00p) and their weighted average remaining contractual life was 9.5 years (2015 - 9.01 years).

The fair value of the options granted during 2016 was determined using the Black-Scholes model and was determined to be immaterial; no expense is recognised within these financial statements. The credit recognised within these financial statements is the net effect of options cancelled and forfeited in the year.

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

	2016 £'000	2015 £'000
Equity-settled schemes	**(125)**	473

25 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 processed for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

Policies and risks

The Company's financial instruments comprise equity investments and cash. Equity is used to raise finance for the

Company's operations and acquisitions.

The Company has not entered into any derivative transactions. The equity investments held by the Company are susceptible to changes in value arising from market factors. The performance of each investment is constantly monitored by the directors and the Company's advisers. At the balance sheet date, equity investments consist of interests in subsidiaries.

The Company is exposed to interest rate risk and fair value risk on its borrowings as set out in note 20 which are subject to a variable rate of interest. Currency risk is described below.

Liquidity risk is described in notes 2 to the consolidated financial statements and below:

Currency exposures

The monetary assets and liabilities of the Company are denominated in Sterling and, accordingly, the Company is not exposed to currency exchange fluctuations.

Principal financial instruments

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

	Loans and receivables	
	2016	2015
	£'000	£'000
Current financial assets		
Trade and other receivables	**213**	231
Cash and cash equivalents	**23**	698
Total current financial assets	**236**	929

	Financial liabilities measured at amortised cost	
	2016	2015
	£'000	£'000
Current financial liabilities		
Trade and other payables	**443**	389
Borrowings	**75**	575
	518	969
Non-current financial liabilities		
Long term borrowings	**1,915**	8,739
Total current financial liabilities	**2,433**	9,703

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 policies 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:

Risk management

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

Capital risk management

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.

Equity has been exhausted by cumulative losses to date.

Details of the Group's 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.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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:

	2016		2015	
	Sterling £'000	**US Dollars £'000**	Sterling £'000	US Dollars £'000
Trade and other receivables	**213**	**4**	229	2
Cash and cash equivalents	**22**	**1**	648	50
Trade and other payables	**442**	**1**	345	44
Borrowings	**1,915**	**-**	9,314	-

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 20).

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% and 4% above the base lending rate of the Bank of England from 30 July 2016. The Group is subject to fair value risk on fixed interest loans described in note 20 which total £1,915,000. The Board does not undertake hedging arrangements.

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 17.

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

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of Financial Position date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of Financial Position date if the effect is material.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

26 Pension commitments

Fitbug Limited operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by Fitbug Limited to the fund and amounted to

£20,220 (2015 - £3,333). Contributions totalling £11,797 (2015 - £nil) were payable to the fund at the reporting date and included in other creditors.

27 Related parties

At the year end the group owed former directors D Turner £25,000 (2015: £25,000) and A Fisher £50,000 (2015: £50,000). Interest of £2,000 (2015:

£nil) and £4,000 (2015: £nil) was payable on the loans respectively. After it was agreed to pay interest on the loans from 1 January 2016 and was accrued 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 20 to the consolidated financial statements.

~ END ~

This information is provided by RNS
The company news service from the London Stock Exchange

END

FR UGUBCCUPMPUP