Fitbug Holdings PLC - KIN Interim Results
Released 11:15 21-Sep-2016

RNS Number : 4451K
Fitbug Holdings PLC
21 September 2016

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014 (MAR).

Fitbug Holdings plc
(the "Company" or the "Group")
Interim Results for the six Months Ended 30 June 2016

Fitbug Holdings Plc, the AIM quoted provider of corporate wellness solutions and services, announces its Interim Results for the six months ended 30 June 2016.

Highlights:

- Implementation of turnaround strategy away from retail to Corporate Wellness
- Total sales of £729,000 (2015: £991,000);
- B2B sales of £562,219 (2015: £369,151);
- Gross profit of £408,000 (2015: £530,000);
- Loss before tax £(1,644,000) (2015: £(3,215,000));
- Good progress on Corporate Wellness offering made with three strategic partners;
- Significant reduction in permanent cost base and engagement of outsourced service providers for development of platform and ancillary services (IT, logistics, finance admin)

The first half of the year has produced sales in the B2B sector of £562,219, a 52%

increase in like for like sales for 2015. Whilst overall sales for the first half were lower than the same period in 2015, the results reflect the Group's strategy to re-focus on Corporate Wellness rather than on the retail sector, a sector in which 2015's first half weighted results proved unsustainable. The Group's turnaround strategy has reduced first half losses by almost 50% in comparison with 2015.

Post period end, the Group successfully completed its £2.61m fundraise and the restructuring of its balance sheet through the conversion of £8.4m of the Group's core debt into equity.

Donald Stewart, Fitbug Chairman, commented on the results, "Fitbug has continued to focus on implementing its turnaround strategy. This involves concentrating our resources on providing digital wellness solutions to the corporate sector through our key partners. This strategy has seen encouraging progress in the first half and has allowed the Group to grow end-user engagement while simultaneously reducing our cost base significantly. With our additional working capital and reduced levels of debt following our successful fundraise in July, the Board is confident as to the Company's future prospects."

Anna Gudmundson, Fitbug CEO, added, "Having only brought the new Corporate Wellness offering to market at the end of 2015, it is great to see the Company starting to benefit from the new strategy in such a short period of time. It is still early days for our digital wellness platform but we pleased to see our clients using the service and, in the case of some large organisations, starting rollouts across thousands of employees. We have successfully restructured the Group and now have a substantially smaller, more focussed and experienced team which is accelerating our ability to deliver, as well as improving quality across all areas of the business."

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

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Notes

About Fitbug®

Fitbug provides digital wellness solutions that empower employers to create a positive culture of health within their organisation. By helping employees to embrace a healthier way of living, Fitbug can help maximise performance, reduce absenteeism, decrease the risk of chronic illness, and lower healthcare costs.

The Company's technological edge allows us to address holistic wellness by engaging both individuals and teams through intelligent, personalised interaction and gamification. This is an opportunity to make incremental behavioural changes that will last a lifetime. The progress of individuals translates to actionable data, meaningful reporting and insights that allow the organisation to monitor the impact of the programme and to refine it in order to achieve success.

Fitbug's shares are listed on the London Stock Exchange AIM market under ticker FITB.

CHAIRMAN'S STATEMENT:

The Group has experienced an encouraging start to trading in 2016 following the commencement of its turnaround strategy in the second half of 2015. The reduction in overall Group sales reflects Fitbug's strategy to move away from retail to focus on the B2B sector and whilst sales revenues are down against the same period last year, the first half of 2016 produced sales in the B2B sector of £562,219, a significant increase over sales in this sector from 2015 (2015: £369,151). The Group's results were greatly improved with significant orders from a South African partner which are expected to continue to be rolled out throughout the remainder of 2016.

The key development of the period was the publication, on 29 June, of the Company's proposals to raise £2.61m of additional funds and to significantly restructure its balance sheet through the conversion of £8.4m of the Group's core debt into equity. These proposals were approved by shareholders on 22 July and the fundraising was completed successfully on 25 July. In addition, on 25 July the Company adopted two new share option schemes, an Enterprise Management Incentive scheme and an Unapproved Scheme and granted options over 9.24% of the enlarged issued share capital of the Company pursuant to these new schemes.

Outlook

During the remainder of the second half of the current financial year, the Directors will continue to build upon the B2B success to date, concentrating the Group's resources on providing digital wellness solutions to the corporate sector through its key partners. As previously stated, the Company has identified a low cost entry point to market via relationships with strategic partners.

The Group continues to focus on its pipeline of potential B2B opportunities working closely with Willis Towers Watson in South East Asia and its other key strategic partners to explore further roll out opportunities. As previously announced, Punter Southall Health & Protection Consulting Limited extended Fitbug's Digital Wellness Solution to four of its clients between November 2015 and February 2016. In addition, the Group is simultaneously reducing its costs significantly in order to reach its goal of reducing its expenses by over 30 per cent. in the current financial year.

Fitbug is working in a fast expanding market space, offering wellness services to a growing number of global corporate clients. Its goal is to help substantial organisations create a culture of wellness that increases employee productivity and reduces healthcare costs by helping to promote and engage employees in living a more positive lifestyle. Fitbug has created a simple, powerful and high value Digital Wellness solution that engages users by making this process personal and fun.

Fitbug Holdings plc

Consolidated statement of comprehensive income
for the period ended 30 June 2016

	Note	**Unaudited 6 months ended 30 June 2016 £'000**	Unaudited 6 months ended 30 June 2015 £'000	Audited Year Ended 31 December 2015 £'000
Continuing operations				
Revenue		**729**	991	1,259
Cost of sales - normal		**(299)**	(461)	(647)
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Gross profit before exceptional items		**430**	530	612
Exceptional write down of obsolete inventory		**-**	-	(736)
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Gross profit		**430**	530	(124)
Operating and administrative expenses - normal		**(1,939)**	(3,074)	(5,241)
Operating and administrative expenses - exceptional		**-**	(467)	(1,162)
Finance income		**-**	-	2
Finance costs		**(137)**	(204)	(5)
		------------	------------	------------
Loss for the period before tax		**(1,646)**	(3,215)	(6,530)
Income tax		**-**	-	227
		------------	------------	------------
Loss for the period and total comprehensive income for				

the period attributable to equity holders of the parent		**(1,646)**	(3,215)	(6,303)
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Loss per share	2	**(0.6)**	(1.3)	(2.5)
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Fitbug Holdings plc

Consolidated statement of changes in equity
for the six months ended 30 June 2016

	Share capital £'000	Share Premium £'000	Retained deficit £'000	Total Equity £'000
Balance at 1 January 2015 (audited)	**2,408**	**4,144**	**(9,853)**	**(3,301)**
Loss and total comprehensive income for the period	-	-	(3,215)	(3,215)
Share based payment	-	-	281	281
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Balance at 30 June 2015 (unaudited)	**2,408**	**4,144**	**(12,787)**	**(6,235)**
Loss and total comprehensive income for the period			(3,088)	(3,088)
Issue of shares for cash	407	609	-	1,016
Costs of raising funds	-	(38)	-	(38)
Share based payment	-	-	192	192
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Balance at 31 December 2015 (audited)	**2,815**	**4,715**	**(15,683)**	**(8,153)**
Loss and total comprehensive income for the period	-	-	(1,646)	(1,646)
Share based payment	-	-	2	2
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Balance at 30 June 2016 (unaudited)	**2,815**	**4,715**	**(17,327)**	**(9,797)**
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Fitbug Holdings plc

Consolidated Balance Sheet

at 30 June 2016

	Unaudited 6 months Ended 30 June 2016 £'000	Unaudited 6 months Ended 30 June 2015 £'000	Audited Year Ended 31 December 2015 £'000
Assets			
Non-current assets			
Intangible assets	**-**	523	-
Property, plant and equipment	**30**	32	29
Total non-current assets	**30**	555	29
Current assets			
Inventories	**481**	1,243	577
Trade and other receivables	**242**	508	751
Cash and cash equivalents	**65**	795	698
Total current assets	**788**	2,546	2,026
Total assets	**818**	3,101	2,055
Liabilities			
Non-current liabilities			
Borrowings	**9,140**	6,939	8,739
Total non-current liabilities	**9,140**	6,939	8,739
Current liabilities			
Trade and other payables	**900**	1,322	894
Borrowings	**575**	1,075	575
Total current liabilities	**1,475**	2,397	1,469
Total liabilities	**10,615**	9,336	10,208
Net liabilities	**(9,797)**	(6,235)	(8,153)
Capital and reserves			
Share capital	**2,815**	2.408	2,815
Share premium	**4,715**	4,144	4,715
Retained deficit	**(17,327)**	(12,787)	(15,683)

Total equity	**(9,797)**	(6,235)	(8,153)

Fitbug Holdings plc

Consolidated cash flow statement
for the six months ended 30 June 2016

	Unaudited Six months Ended 30 June 2016 £'000	**Unaudited** Six months Ended 30 June 2015 £'000	**Unaudited** 12 Months ended 31December 2015 £'000
Cash flows from operating activities			
Loss before taxation	**(1,646)**	(3,215)	(6,303)
Adjustments for:			
- Depreciation and amortisation	**7**	76	82
- Share-based payments	**475**	281	473
- FX gain loss	**(625)**	-	(74)
- Adjustment on consolidation	**162**	-	(66)
- Finance income	**-**	-	(2)
- Finance expense	**137**	204	5
- Returns provision	**(110)**	-	216
- Write off of development costs	**-**	-	569
- Impairment of stock	**22**	-	736
Cash flows from operating activities before changes in working capital and provisions	**(1,578)**	(2,654)	(4,364)
- Decrease in inventories	**164**	19	206
- Decrease in trade and other receivables	**520**	350	95
- Increase/(decrease) in trade and other payables	**4**	3	(797)
Net cash used in operations	**(883)**	(2,282)	(4,860)
Cash flow from investing activities			
Purchase of property, plant and equipment	**(7)**	(22)	26
Development costs capitalised	**-**	(122)	(167)
Finance income	**-**	-	2

Net cash used in investing activities	**(7)**	(144)	(139)
Cash flow from financing activities			
Issue of ordinary shares for cash	**-**	-	1,015
Costs directly related to issue of shares	**-**	-	(38)
Loan advances	**401**	-	1,300
Loan repayments	**-**	-	-
Finance expense	**(144)**	(204)	(5)
Net cash generated from financing activities	**257**	(204)	2,272
Net decrease in cash and cash equivalents	**(633)**	(2,630)	(2,727)
Cash and cash equivalents at beginning of period	**698**	3,425	3,425
Cash and cash equivalents at end of period	**65**	795	698

Fitbug Holdings plc

Unaudited notes forming part of the consolidated interim financial statements for the six months ended 30 June 2016

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1 BASIS OF PREPARATION

Fitbug Holdings plc is a public company incorporated in England under the Companies Act 2006. Its registered office address is Suite 5, 1st Floor, 5 Rochester Mews, London NW1 9JB.

These condensed consolidated interim financial statements of the Company for the six months ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as "the Group"). These interim statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The interim financial information has been prepared using the same accounting policies, presentation, method of computation and estimation techniques as are expected to be adopted in the Group financial statements for the year ending 31 December 2016 and which were adopted in the audited Group financial statements for the year ended 31 December 2015.

The financial information for the year ended 31 December 2015 has been extracted from the statutory accounts for that period. The auditors have reported on the statutory accounts for the year ended 31 December 2015 and their report was unqualified. The auditors' report drew attention by emphasis of matter to issues surrounding the ability of the Company to continue as going concern. A copy of those financial statements has been filed with the Registrar of Companies.

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

2 LOSS PER SHARE

The loss per share is based on a loss for the period attributable to equity holders of the Company of £1,644,000 (2015: loss of £3,215,000) and the weighted average number of ordinary shares being in issue for the period of 281,450,530 (2015: 240,850,530).

The exercise of the options outstanding as at 30 June 2016 would reduce the loss per share and hence have an anti-dilutive effect. As at 30 June 2016 there were 50,000 (2015: 21,100,000) shares that could potentially have been issued under the terms of options and a further 33,333,334 shares that could have been potentially issued under the terms of convertible loans that would potentially reduce future earnings per share.

3 GOING CONCERN

These condensed interim financial statements for the six months ended 30 June 2016 have been prepared on the assumption that the Group will be able to continue trading as a going concern for the foreseeable future. As at 30 June 2016 the Group had outstanding loans of £9,640,000, which included £1m in loans from Kifin Limited, a Kirsh Group subsidiary, (including a £500,000 loan issued under a convertible loan note instrument dated 28 June 2012) and loans of a further £8,640,300 from NW1 Investments Limited, a company connected to two of the former directors of the Group.

The directors have prepared these interim financial statements on the basis that the Group is a going concern as the successful completion of the Group's £2.61m fundraising and the restructuring of its balance sheet in late July 2016 together with the Group's anticipated sales pipeline is expected to provide the Group's with working capital sufficient for its requirements for at least the next 12 months. The Group's sales forecasts are, however, based on the achievement of and timings of revenue forecasts which, although believed reasonable by the directors are nevertheless, in part, outside the Group's direct control. If significant delays were to take place, these may render the Group's cash resources insufficient.

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

4 SUBSEQUENT EVENTS

The Company announced the results of a new fundraising and debt re-profiling on 22nd July 2016:

On 22nd July 2016 each of the Company's existing ordinary shares of 1p each were subdivided into one new ordinary share of 0.1p and one deferred share of 0.9p.

£2.61m (before expenses) was raised by the issue of 613,916,438 new Ordinary Shares at 0.25p per share and the creation of £1,076,275 of new loan notes.

Additionally, a further 336,000,000 new Ordinary Shares were issued at 2.5p per share to capitalise £8.4m of loans due to two investors.

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

5 BOARD CHANGES

During the period under review, the Company appointed Dr Mark Ollila to the Board as a non-executive director on 8 January 2016. Mark is based in San Diego and has held numerous senior positions in mobile media and technology.

The Company also announced on 29th June the appointment of Tyler Tarr to the Board as part time finance director and the resignations of David Turner and Allan Fisher, both non-executive directors. Tyler has worked with the Company as interim CFO since December 2015 and has a wealth of experience in managing the finances of technology companies.

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