fitbug holdings plc

Annual Report 2012

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Chairman's Statement

I am pleased to report on what has been a highly active and strategically valuable year for Fitbug. Our efforts over the period and post-period end have culminated in the successful launch of four innovative Bluetooth compatible products, which have in turn helped us to secure three new partnership agreements with wellness businesses and gain strong financial support from a Kirsh Group subsidiary. Fitbug has made strong progress in securing its leading position in the B2B Connected Health market, which is particularly buoyant in the US, and the Company is now well placed for growth.

Connected Health describes the use of wearable devices which upload data to the internet to allow individuals and third parties to track and manage a range of health factors ranging from chronic disease to optimising wellness and fitness programmes. The market for wearable health and wellness related monitoring devices is growing strongly and has recently enjoyed significant media interest. Leading business magazine Forbes predicted in a feature article (dated 2 January 2013) that 2013 would be 'The Year of Digital Health', driven by a convergence of technology, consumer and payor interest, and US Health Reform. Furthermore, leading industry commentators, including Engadget, PC World, The Verge, Gizmo report, and CNet, have commended the versatility of wearable devices, with particular praise being given to the Fitbug Orb's choice of seven wear options, sleep tracking capability and market leading sub-$50 price point. Health Connectivity and Mobile Health were also one of the top themes at the Consumer Electronics Show ('CES') in Las Vegas this year, the leading global technology trade show which Fitbug exhibited at, and previewed the Orb, in January 2013.

The CES, which promotes innovation and development within the industry, connects global markets and people affiliated with the consumer electronic industry. Fitbug's decision to exhibit at the CES was highly significant, and reflective of the Company's increasing presence in the US marketplace. The CES provided the ideal platform from which the Company could launch three new products. This included 'Fitbug Orb', the first button-sized, Bluetooth Smart, wireless Fitbug activity tracker with seven wear options, a choice of colours and the ability to track sleep; 'Fitbug Wow', a Bluetooth Smart set of scales; and 'Fitbug Luv', a Bluetooth Smart blood pressure monitor. These new products, which followed the launch of Fitbug Air in September 2012, the world's first Bluetooth Low Energy Fitbug Activity tracker, mark a strong point of development. Fitbug now has a fully integrated range of mobile health products and so is able to target key facets of the Connected Health market.

Using the Bluetooth Smart low energy wireless protocol, all four of Fitbug's integrated products increase the usability of the Company's technology by offering seamless, wireless connectivity to the latest generation of mobile devices, including smartphones such as the Apple iPhone 4S and iPhone 5. It can also connect to Bluetooth Smart-enabled tablets such as the iPad, the recently updated iPod Touch, and selected android devices. This provides customers with instant access to their personalised health and wellness programme and Fitbug's motivational tools anywhere and at anytime. Activity levels, weight and blood pressure can be continuously uploaded and monitored without the need for cables, receivers or constant computer access. Additionally, the low energy nature of the technology enables months of continuous usage, eliminating the regular need to recharge or replace the battery.

Fitbug's ability to develop and expand its quality product offering has helped the Company to expand its operations and secure new partnership deals with three leading wellness businesses. In March 2013, Fitbug announced that it had signed an Alliance Marketing Agreement with MyFitnessPal, the leading US based nutrition and fitness tracking app with access to more than 30 million people, to combine MyFitnessPal's food diary capabilities with Fitbug's activity tracking capabilities. An agreement was also signed with Redbrick Health ('Redbrick'), a leading consumer health engagement and behaviour change technology provider, to integrate Fitbug data with Redbrick's tracking, social challenge and rewards engine. Furthermore, a partnership deal was agreed with wireless health innovator ConnectedHealth Pte. Ltd ('ConnectedHealth') to combine both companies' consumer health and fitness monitoring solutions with a focus on the US and Asian markets. The agreements offer the potential to significantly increase Fitbug's consumer reach and demonstrate the appeal and relevance of Fitbug's digital health platform in both B2C and B2B scenarios. MyFitnessPal, RedBrick Health and ConnectedHealth are highly respected organisations, and leaders in their respective fields. Consequently, by uniting the companies' services, Fitbug can provide a competitive offering which will increase its global reach and build revenue growth.

Chairman's Statement - continued

Fitbug will continue to focus upon expanding its innovative product suite and client reach in line with its strategy to increase its presence in the B2B Connected Health Market. In addition, following the launch of the new products the Company is also developing selective retail and consumer distribution channels. The Company has been well supported in these development plans thanks to the financial backing given to the Company by The Kirsh Group. In July 2012, the Company agreed a £1,000,000 Convertible Loan with Kifin Limited, a Kirsh Group subsidiary. Since then, Kifin Limited has agreed a £500,000 loan to Fitbug, and NW1 Investments Limited and Kifin Limited have together agreed a further loan of £750,000 to the Company.

Fitbug's financial results for the year ended 31 December 2012 show a 4% increase in turnover to £1,334,000 (2011: £1,283,000), and a loss of £1,444,000 (2011: loss £783,000), which reflects the strategic development of the Company's product range and remains in line with the Company's and market expectations. Going forward, Fitbug looks forward to converting this investment into sales growth to boost revenues for the Company. Fitbug's cash balance at 31 December 2012 was £648,000 (2011: £182,000).

After a year of investment Fitbug is now well placed to accelerate its growth and development, particularly in the US. With a highly experienced Board and management team in place, a strong range of fully integrated Connected Health products, and a growing pipeline of client and development opportunities in both consumer and business markets, the future looks very positive. The last year has been an important and highly encouraging one for Fitbug and the business is now very focussed on driving sales growth. There is clear and strong evidence that the market in which we operate will develop significantly over the next few years and we are confident that our proven knowledge and capability within the sector will enable us to capitalise on this growth.

The Board and I would like to thank our shareholders for their support, and the hugely talented and committed Fitbug team for their continued hard work, resilience, enthusiasm and loyalty.

Fergus Kee
Executive Chairman
31 May 2013

Current Directors & Advisers

Fergus Kee
Executive Chairman

Aged 53, Fergus has spent most of his career in the health and retail sectors including 18 years with international healthcare company, Bupa, where he played a leading role in developing and implementing its strategy and seeing its revenues increase from £2.2 billion in 2000 to £6.9 billion and profits rise from £65 million in 2000 to £428 million in 2009. Most recently he was Managing Director of the UK and North American division and CEO of Bupa Insurance Limited but prior to this he was Managing Director of UK Health and Wellbeing and Finance Director of UK Operations. Earlier in his career, having qualified as a Chartered Accountant with KPMG, he held senior finance roles at Proctor & Gamble and at the Burton Group plc.

David Turner
Chief Executive

Aged 67, David trained as a surveyor and was a founder member of LA Fitness plc, which floated on the Official List in 1999, where he was the property and corporate development director. David previously founded fitness club, City Squash, as well as a 5-a-side football club business, Market Sports, and Club Zebra, an interactive health and fitness TV channel run as a joint venture between LA Fitness and Bupa on Homechoice TV.

Andrew Brummer ACA
Finance Director

Aged 40, Andrew trained as a chartered accountant with Arram Berlyn Gardner before to moving on to finance positions with Media Audits, a media effectiveness consultancy firm which is now part of Accenture, and Czarnikow Group, a leading provider of world sugar market services.

Paul Landau
Director & Chief Executive of Fitbug Limited

Aged 39, Paul previously worked with Accenture as a management consultant advising a portfolio of clients on technology and strategy projects. Having left Accenture in 2001 to distribute an early fitness tracking solution to the gym sector, Paul then founded Fitbug in 2004 as an online personal health and well-being service. In the same year, Fitbug Holdings invested in the concept and since that time, Paul has been developing Fitbug's technology, brand, and customer base both in the UK and internationally.

Allan Fisher B.Com, MBA
Non-Executive Director

Aged 70, Allan trained as an accountant and held various finance related positions before founding Holmes Place plc, of which he was Chief Executive when it floated in 1997. He is Chairman of Holmes Place Eastern Mediterranean.

Geoffrey Simmonds FCA
Non-Executive Director

Aged 70, Geoffrey has held a number of public company directorships and is currently Chief Executive of both Westside Acquisitions plc and its subsidiary, Reverse Take-Over Investments plc ('RTI'). He is also a director of Pantheon Leisure plc and Messaging International plc, both AIM listed companies, and various other private company directorships.

Fitbug Holdings Plc is a public limited company, incorporated and domiciled in the UK.

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4466195

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Corporate Governance Statement

There is commitment to achieving high standards of corporate governance throughout the Group. The Board confirms that throughout the period ended 31 December 2012 the Group has complied with the provisions set out in the 2006 FRC Combined Code on Corporate Governance so far as the directors consider appropriate to a group of the size and nature of Fitbug Holdings plc. The Board is accountable to the Group's shareholders for good governance.

Directors

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions. Biographies of the Board members appear on page 5 of this report. These indicate the high levels and range of business experience which are essential to manage effectively a business of this size.

Communication

The Group places a great deal of importance on communication with its shareholders. The full report and financial statements are available to all shareholders and to other parties who have an interest in the Group's performance. All shareholders have the opportunity to raise questions at the Group's annual general meeting.

Audit and internal control

The Board is responsible for ensuring that the Group maintains systems of internal control, including suitable monitoring procedures. The objectives of the systems are to safeguard the Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. An Audit Committee has been established which is responsible for ensuring that the financial performance of the Group is properly reported on and monitored and for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems. The Audit Committee consists of Fergus Kee and Geoffrey Simmonds.

Compliance

As well as complying with the provisions of the Combined Code, as far as the directors consider appropriate, as disclosed in the corporate governance statement, the Company has applied the principles relating to directors' remuneration as described below. Details of each individual director's shareholdings and share options are set out in the Report of the Directors.

Remuneration Committee

The Remuneration Committee has been established to review the performance of executive directors and to set the scale and structure of their remuneration, the basis of their remuneration and the terms of their service agreements with due regard to the interests of shareholders.
The Remuneration Committee also determines the allocation of share options to employees under the Option Schemes. No director shall be permitted to participate in discussions concerning their own remuneration. The Remuneration Committee consists of David Turner and Geoffrey Simmonds.

Report of the Directors

for the year ended 31 December 2012

The directors present their report together with the audited financial statements for the year ended 31 December 2012.

Results and dividends
The results of the Group for the year ended 31 December 2012 are set out on page 12 and show a loss for the year of £1,444,000 (2011: £783,000)

The directors do not recommend the payment of a dividend (2011 - £nil).

Principal activities, review of business and future developments
The principal activity of the Group is the development and sale of products and services in the global Connected Health sector with particular emphasis on the US market. A detailed review of the business is given in the Chairman's statement on pages 3 to 4

The Chairman's statement contains a review of the development and performance of the Group during the period and its position at the end of the period, covering the Enhanced Business Review requirements of the Companies Act 2006.

The directors monitor the performance of the business through the financial key performance indicators (KPIs) being the achievement of monthly and annual budgeted levels for sales, profit, and cash flow by operating entity.

Financial instruments
Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 23 of the financial statements.

Charitable and political contributions
During the period the Group made no such contributions (2011 - £nil).

Substantial shareholders
On 31st December 2012 the following shareholders held an interest of 3% or more of the ordinary share capital of the Company:

	Ordinary shares of 1p	% of issued share capital
F A Kee	22,916,667	13.60%
Investec Wealth & Investment	21,563,256	12.80%
D Turner	18,795,000	11.15%
A B H Fisher	17,170,000	10.19%
W J Weston	9,050,000	5.37%
Paul Landau	8,788,894	5.22%
Pantheon Leisure plc	6,254,000	3.71%

No other person has reported an interest of 3% or more in the Company's ordinary shares.

Principal risks and uncertainties
The market for products and services in the health and leisure sectors is highly competitive. The Group seeks to attract new customers and manage the risk of losing existing customers to key competitors by the development and provision of innovative solutions and added value services to customers.

The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual arrangements.

The Group monitors cash flow as part of its day to day control procedures. The board considers cash flow projections on a monthly basis and ensures that appropriate resources are available to be drawn upon as necessary.

Research and Development
The Group has undertaken a substantial development programme for Fitbug to bring to market a fully integrated range of mobile health products. By enabling wireless connectivity to the latest generation of mobile devices, Fitbug is now able to provide its customers with instant access to their personalised health and wellness programme.

Employment of disabled persons
The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without any discrimination of any kind.

Report of the Directors - continued

Employee involvement
The flow of information to staff has been maintained by regular meetings with our staff. Members of the management team regularly discuss matters of current interest and concern to the business with members of staff.

Environmental and social
The Group appreciates the importance of good environmental and social practice. The Group seeks to ensure that its operations cause minimal detrimental impact on the environment and that it complies with all relevant environmental legislation. The Group's operations seek to improve the general health and fitness of individuals through encouraging physical activity. This both improves the well-being of communities and reduces reliance on transport and other factors detrimentally affecting the environment.

Policy on the payment of creditors
The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. The average number of days purchases represented by creditors at the end of the financial year is set out in note 18 of the Group financial statements.

Post balance sheet events
After the year end the Group ageed the terms of and received a £750,000 loan repayable by 31 July 2014.

Directors
The directors of the Company during the period and their beneficial interests in the ordinary share capital of the parent company and options to purchase such shares under the Company's Share Options Schemes were:

	New ordinary shares			
	31 December 2012		**31 December 2011**	
	Options	Shares	Options	Shares
F A Kee	4,500,000	22,916,667	4,500,000	21,250,000
D Turner	3,000,000	18,795,000	3,100,000	17,128,333
A J Brummer	-	-	-	-
P E Landau	5,500,000	8,788,894	5,500,000	5,455,561
A B H Fisher	-	17,170,000	100,000	15,503,333
G M Simmonds	-	2,010,000	-	2,010,000

Geoffrey Simmonds is a director and shareholder of Pantheon Leisure plc which has an interest in 6,254,000 ordinary shares. These shares have not been included in the above table.

The market price of the shares on 31 December 2012 was 1.25p (2011: 2.75p) and the range during the financial period was 1.25p to 3.125p (2011: 1.45p to 7.75p). Details of any directors' interest in the transactions of the group are given in note 21.

All directors, being eligible, offer themselves for re-election. All executive directors have service contracts with the company on twelve months' notice.

Going concern
After making enquiries, the directors consider that the Group will have adequate resources and committed borrowing facilities to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements. The directors however draw attention to uncertainties in this regard as explained in note 2 to the Financial Statements.

Auditors
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information.

The directors are not aware of any relevant audit information of which the auditors are unaware. Hazlewoods LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

By order of the Board

Andrew Brummer
Secretary
31 May 2013

Statement of Directors' Responsibilites

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union;
- state, with regard to the parent company financial statements, whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Shareholders of Fitbug Holdings plc

We have audited the financial statements of Fitbug Holdings plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement, Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Parent Company Balance Sheet, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a fair and true view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit and financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended.
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of Companies Act 2006.

Emphasis of matter-going concern

In forming our opinion on the financial statements we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the Parent Company's and the Group's ability to continue as a going concern. The Group incurred a net loss of £1,444,000 during the year ended 31 December 2012 and, at that date, the Group's total liabilities exceeded its total assets by £864,000 which is funded primarily by loans repayable in 2014. Forecasts prepared by the Company assume a significant growth in revenues for the current financial year sufficient to enable the Group to continue trading within its available financial resources, we are unable to assess however whether these forecasts can be achieved and whether sufficient cash can be generated from trading to repay borrowings on their due dates.

These matters, together with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Parent Company's and the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Parent Company and the Group were unable to continue as going concerns.

Independent Auditors’ Report to the Shareholders of Fitbug Holdings plc

- continued

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns;
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Main (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Windsor House
Bayshill Road
Cheltenham
GL50 3AT

31 May 2013

Company number: 4466195

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Continuing Operations			
Revenue		**1,334**	1,283
Cost of sales		**(524)**	(428)
Gross profit		**810**	855
Operating and administrative expenses		**(2,296)**	(1,805)
Finance income	10	**67**	171
Finance costs	10	**(56)**	(30)
Loss before tax	6	**(1,475)**	(809)
Income tax	11	**-**	-
Loss for the year from continuing operations		**(1,475)**	(809)
Discontinued operations			
Profit for the year from discontinued operations	4	**31**	26
Loss for the year and total comprehensive income for the year attributable to equity holders of the parent		(**1,444**)	(783)
Loss per share			
From continuing and discontinued operations			
Basic (pence per share)	5	**(0.9)**	(0.7)
From continuing operations			
Basic (pence per share)	5	**(0.9)**	(0.7)

The notes on pages 16 to 33 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

Notes	Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
1 January 2011	980	-	(1,356)	(376)
Loss and total comprehensive income for the year	-	-	(783)	(783)
Issue of shares for cash	292	678	-	970
Costs of raising funds	-	(33)	-	(33)
Debt for equity swap	35	140	(96)	79
Share-based payment	-	-	96	96
31 December 2011	1,307	785	(2,139)	(47)
Loss and total comprehensive income for the year	-	-	(1,444)	(1,444)
Issue of shares for cash	328	252	-	580
Costs of raising funds	-	(28)	-	(28)
Debt for equity swap	50	25	(67)	8
Share-based payment	-	-	67	67
31 December 2012	**1,685**	**1,034**	**(3,583)**	**(864)**

The following describes the nature and purpose of each reserve within owners' equity:

Share capital: Amount subscribed for shares at nominal value.

Share premium: Amount subscribed for share capital in excess of nominal value.

Retained deficit: Cumulative realised profits less cumulative realised losses and distributions made, attributable to the equity shareholders of the Group.

The notes on pages 16 to 33 are an integral part of these consolidated financial statements

Consolidated Balance Sheet

as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets	12	**117**	110
Property, plant and equipment	13	**17**	21
		134	**131**
Current assets			
Inventories	14	**394**	165
Trade and other receivables	15	**223**	169
Cash and cash equivalents	16	**648**	182
		1,265	516
Total assets		**1,399**	647
Liabilities			
Non-current liabilities			
Borrowings	17	**1,856**	308
		1,856	308
Current liabilities			
Trade and other payables	18	**308**	234
Borrowings	17	**99**	152
		407	386
Total liabilities		**2,263**	694
Net liabilities		**(864)**	(47)
Capital and reserves attributable to equity holders of the Company			
Share capital	19	**1,685**	1,307
Share premium	19	**1,034**	785
Retained deficit		**(3,583)**	(2,139)
Total equity		**(864)**	(47)

The financial statements on pages 12 to 33 were approved and authorised for issue by the Board of Directors on 31 May 2013 and signed on their behalf by:.

David Turner
Chief Executive

Andrew Brummer
Finance Director
31 May 2013

The notes on pages 16 to 33 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Loss before taxation		**(1,444)**	(783)
Adjustments for:			
- Depreciation and amortisation		**120**	103
- Share-based payments		**67**	96
- Finance income		**(67)**	(171)
- Finance expense		**56**	30
Cash flows from operating activities before changes in working capital and provisions		**(1,268)**	(725)
Increase in inventories		**(229)**	(101)
Increase in trade and other receivables		**(83)**	(22)
Increase/(decrease) in trade and other payables		**98**	(329)
Net cash used in operations		**(1,482)**	(1,177)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(6)**	(24)
Development costs capitalised		**(117)**	(16)
Net cash used in investing activities		**(123)**	(40)
Cash flow from financing activities			
Issue of ordinary shares for cash		**580**	970
Costs directly related to issue of shares		**(28)**	(33)
Loan advances		**1,575**	135
Finance expense		**(56)**	(30)
Net cash generated from financing activities		**2,071**	1,042
Net increase/(decrease) in cash and cash equivalents		**466**	(175)
Cash and cash equivalents at beginning of year		**182**	357
Cash and cash equivalents at end of year		**648**	182

The notes on pages 16 to 33 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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 1st Floor, Waterside House, 47-49 Kentish Town Road, London NW1 8NX.

The registered number of the Company is 04466195.

2. Basis of preparation and significant accounting policies

The consolidated 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 continue reporting under United Kingdom Generally Accepted Accounting Principles (UK GAAP) and its separate financial statements may be found commencing on page 34.

Going concern

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

The directors have since the end of the financial year secured further funds for the Company:

- The Kirsh Group and NW1 Investments Limited have agreed a further loan facility of £750,000. The loan is repayable by 31 July 2014, but if during the term of the loan, the Group undertakes an equity issue, the loan holder can elect to convert some or the entire loan into new ordinary shares.
- Repayment terms of directors' loans of £75,000 have been deferred until 30 June 2014

The directors have prepared financial forecasts which suggest that, based on conversion of the anticipated sales pipeline; 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 are currently exploring several opportunities to put such funds in place.

The directors have continued to adopt the going concern concept in preparing the financial statements on the basis that they believe that the new funds secured as described above and the anticipated sales pipeline will provide sufficient cash until such time that longer term finance can be sourced. The sales forecasts are however necessarily based on the achievement of timings and revenue forecasts which, although believed reasonable by the directors, are nevertheless outside the Group's 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 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.

2. Basis of preparation and significant accounting policies (continued)

Basis of consolidation

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 leisure, health and fitness sectors. 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 hardware products, software licences and subscription services. Revenue from hardware products is recognised on delivery. Other revenue is recognised over the period in which services are provided.

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.

2. Basis of preparation and significant accounting policies (continued)

Trade and other receivables

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.

2. Basis of preparation and significant accounting policies (continued)

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade payables

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

Foreign currency

The consolidated financial statements are presented in pounds sterling (“£”), which is the Company’s functional and presentation currency. Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Foreign currency transactions are translated into the functional currency using the rate of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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 20.

4. Discontinued operations

Disposal of joint venture

During the year, the group accrued for a further £31,000 relating to confirmed distributions arising from the liquidation of Ez-Runner Limited, a former subsidiary company.

The gain of £26,000 from discontinued operations in the previous financial year arose from the administrators of ADDWellness Holdings Limited and Movers and Shapers Limited, former subsidiary companies, relating to surplus assets on the winding up of those companies not previously recognised or anticipated.

Analysis of loss for the year from discontinued operations

	2012 **£'000**	2011 £'000
Exceptional and closure costs		
Gain on disposal of net liabilities	**31**	26
Profit for the year from discontinued operations	**31**	26
Cash flows from discontinued operations		
Net cash inflows from operating activities	**-**	26
Net cash inflows	**-**	26

5. 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 £1,444,000 (2011: £783,000) and the weighted average number of ordinary shares in issue for the year of 159,440,927 (2011: 115,603,364). The loss per share from continuing operations is based on a loss for the year of £1,475,000 (2011: £809,000) and the same number of ordinary shares.

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

There were 13,000,000 (2011: 13,300,000) shares that could potentially be issued under the terms of options as described in note 20 and a further 66,666,667 shares that could be potentially issued under the terms of covertable loans as discussed in note 17 that will potentially reduce future earnings per share.

6. Loss for the year

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

	2012 **£'000**	2011 £'000
Staff costs (note 7)	**1,132**	877
Depreciation of plant and equipment	**10**	10
Amortisation of intangible assets	**110**	93
Operating lease rentals – property	**48**	54
Operating lease rentals – other	**10**	-
Auditors' remuneration (note 9)	**28**	28
Foreign exchange loss	**22**	13

7. Staff costs

	2012 £'000	2011 £'000
Salaries and wages	**957**	703
Social security costs	**108**	78
	1,065	781
Share based payments (note 20)	**67**	96
Total	**1,132**	877

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

	2012 Number	2011 Number
Administration	**7**	6
Development	**6**	4
Sales	**5**	4
Support and project management	**4**	3
	22	17

8. Directors' remuneration

The remuneration for the directors was as follows:

	2012 £'000	2011 £'000
Emoluments	**332**	291
	332	291

Highest paid director:

	2012 £'000	2011 £'000
Emoluments	**121**	144

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 pension schemes (2011: none)

8. Directors' remuneration (continued)

The cost of £67,000 (2011: £100,000) charged against profit or loss in respect of share-based payments in the year related to options awarded to the directors in 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 2012	Total 2011
	£000	£'000	£000	£000	£000
Executive directors					
Fergus Kee	75	25	-	100	47
Paul Landau	95	25	1	121	144
Andrew Brummer	78	-	2	80	75
David Turner	2	17	4	23	19
Non-executive directors					
Allan Fisher	2	-	4	6	6
Geoffrey Simmonds	2	-	-	2	-
Total	254	67	11	332	291

The total cost of employing the directors, who are the key management personnel, including employer's national insurance was £365,000 (2011: £314,000).

9. Auditors' remuneration

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

	2012	2011
	£'000	£'000
Fee for the audit of the annual financial statements	**14**	14
Audit of the company's subsidiaries pursuant to legislation	**6**	6
Taxation services	**4**	4
Other fees	**4**	4
Total	**28**	28

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

10. Finance income and expense

	2012 £'000	2011 £'000
Finance income - waiver of interest payable	**-**	75
Finance income - gain on equity for debt swap	**67**	96
Total finance income	**67**	171
Interest payable on Directors' loan	**(6)**	(3)
Interest payable on loan from major shareholder	**(25)**	(27)
Interest payable on other loan	**(25)**	-
Total finance expense	**(56)**	(30)

11. Taxation

No tax charge or credit arises based on the loss for the year.

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

	2012 £'000	2011 £'000
Loss before tax	**(1,444)**	(783)
Loss at the applicable rate of corporation tax in the UK 24.5% (2011: 26.5%)	**(354)**	(207)
Effects of:		
Expenses not deductible and income not taxable for tax purposes	**(8)**	26
Temporary timing differences – provisions	**6**	2
Tax losses carried forward	**359**	185
Depreciation in excess of capital allowances	**(3)**	(6)
Income tax credit for the year	**-**	-

Subject to the agreement of HM Revenue and Customs, the Group has UK tax losses of approximately £7,060,000 (2011: £6,629,000) and US tax losses of approximately £352,000 (2011: £85,000) 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.

12. 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 2011	398	387	785
Additions	-	16	16
At 1 January 2012	398	403	801
Additions	-	117	117
At 31 December 2012	398	520	918
Amortisation/provision for impairment			
At 1 January 2011	398	200	598
Amortisation	-	93	93
At 1 January 2012	398	293	691
Amortisation	-	110	110
At 31 December 2012	398	403	801
Net book value			
At 31 December 2012	-	**117**	**117**
At 31 December 2011	-	110	110
At 1 January 2011	-	187	187

13. Property, plant and equipment

	Plant and equipment £'000
Cost	
At 1 January 2011	186
Additions	24
At 1 January 2012	210
Additions	6
Disposals	(84)
At 31 December 2012	132
Depreciation	
At 1 January 2011	179
Charge for the year	10
At 1 January 2012	189
Charge for the year	10
Disposals	(84)
At 31 December 2012	115
Net book value	
At 31 December 2012	17
At 31 December 2011	21
At 1 January 2011	7

14. Inventories

	2012 £'000	2011 £'000
Goods held for resale	**394**	165

The cost of inventories recognised as an expense during the period in respect of continuing operations was £437,000 (2011: £306,000).

15. Trade and other receivables

	2012	2011
	£'000	£'000
Current Assets		
Trade receivables	50	81
Less: provision for impairment of trade receivables	(24)	(1)
	26	80
Employee loans	7	8
Prepayments and accrued income	158	66
Other taxes and social security	20	-
Other debtors	12	15
	223	169

Trade receivables disclosed above are classified as financial assets measured at amortised cost. The average credit period on sales of goods is 15 days (2011: 23 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.

	2012	2011
	£'000	£'000
31 - 60 days	**5**	15
61 – 90 days	**5**	14
90+ days	**6**	2
	16	31

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

	2012	2011
	£'000	£'000
Balance at the start of the year	**1**	4
Provision for receivables impairment	**24**	6
Receivables written off during the year as uncollectible	**(1)**	(9)
At 31 December	**24**	1

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.

15. Trade and other receivables (continued)

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

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 (2011: £262,499) relating to former employees of the Group were outstanding at 31 December 2012 against which a provision for irrecoverable amounts of £255,776 (2011: £253,670) 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 2012, as this 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.

16. Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and in hand	**648**	182

The Group's cash and cash equivalents are held primarily in Sterling and US Dollars as disclosed in note 23.

17. Borrowings

	2012 £'000	2011 £'000
Current liabilities		
Shareholder loans	**24**	77
Directors' loans	**75**	75
	99	152
Non-current liabilities		
Shareholder loans	**356**	308
Convertible Loan	**1,000**	-
Other Loan	**500**	-
	1,856	308
	1,955	460

Directors' loans
Loans from the directors are repayable on 30 June 2014, or earlier at the discretion of the company. Interest is accrued at a rate of 8% to be paid on 30 June 2014 and the Directors have the option to convert outstanding loan amounts and accrued interest to ordinary shares in Fitbug Holdings plc.

Shareholder loan
Interest accrues on the loan at an annual rate of LIBOR plus 5 per cent and will accrue until repayment of the loans. Interest has been charged on the loan of £22,001 (2011: £8,283).

The balance of monies due under the terms of the loan agreement 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
During the year, Fitbug Holdings plc agreed terms on a £1,000,000 convertible loan from Kifin Limited, a Kirsh Group subsidiary. The loan issued under a convertible loan note instrument dated 28 June 2012 is for a term of three years to 30th June 2015. The loan accrues interest at a rate of 5% per annum, payable in arrears at the end of the first year and quarterly thereafter. The loan note is convertible by the holder, at any time, into 66,666,667 ordinary shares in Fitbug Holdings plc at a price of 1.5 pence per ordinary share. Kifin Limited has the right to appoint a director to the Board of the Company should they wish to do so. The directors attribute no material value to the conversion rights and hence no part of the amount advanced is considered to be equity.

Shareholder loan (continued)

Other loans

During the year, Kifin Limited agreed to provide Fitbug Holdings plc with a further loan of £500,000 with an interest rate of 5% per annum. The interest is payable on a quarterly basis. The loan falls due on 31 July 2014, however, Fitbug Holdings plc can elect to repay the capital balance at any time prior to the end of the loan period. In the event of default on this variation, not rectified within 90 days, the whole amount of interest and capital will become due immediately.

The maturity analysis of the loans is as follows:

	2012 £'000	2011 £'000
Repayable:		
Within 1 year	**24**	77
Between 1 and 5 years	**1,856**	308
	1,880	385

18. Trade and other payables

Current

	2012 £'000	2011 £'000
Trade payables	**135**	91
Other payables	**19**	46
Accruals	**154**	97
	308	234

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 2012 as a proportion of amounts invoiced by suppliers during the year was 30 days (2011: 26 days).

19. Share capital and share premium

Allotted, called up and fully paid
Ordinary shares

Ordinary shares of 1p each	No.	Issue price	Ordinary Shares £'000	Share premium £'000
At 31 December 2011 - In issue	130,737,195		1,307	785
February 2012 - Issue of shares for cash	29,444,445	1.8p	295	207
June 2012 - Debt conversion	5,000,000	1.5p	50	25
June 2012 - Issue of shares for cash	3,333,333	1.5p	33	17
At 31 December 2012	168,514,973		1,685	1,034

In June 2012 5,000,000 ordinary shares of 1p were issued in settlement of £75,000 of outstanding debt.

20. Share-based payment

Fitbug Holdings plc operated three equity-settled share-based remuneration schemes for employees: two Enterprise Management Incentive ("EMI") Schemes; and an unapproved share option scheme which was closed during the previous year. Options were also granted as explained below to certain providers of loan finance to the Group. For the EMI scheme set up in 2009, the options vest primarily after a period of two years, and the options expire on the 10th anniversary of the grant date and for the EMI scheme set up in 2011, the options vest when the share price exceeds 15p, 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. Details of options in existence over ordinary shares are summarised below:

a) EMI Schemes	**2012**		**2011**	
	Number	**Weighted average exercise price (pence)**	**Number**	**Weighted average exercise price (pence)**
Outstanding at the beginning of the year	13,300,000	7.70	1,450,000	10.00
Granted during the year	-	-	12,000,000	7.50
Forfeited during the year	-	-	(150,000)	10.00
Lapsed during the year	(300,000)	10.00	-	-
Outstanding at the end of the year	13,000,000	7.70	13,300,000	7.70

The weighted average exercise price of options outstanding at the end of the year was 7.70p (2011: 7.70p) and their weighted average remaining contractual life was 9.29 years (2011: 9.08 years).

Of the total number of options outstanding at the end of the year, nil (2011: 300,000) had vested and were exercisable at the end of the year. These options had a weighted average exercise price of 10p (2010: 10p).

The following information is relevant in the determination of the fair value of the 12 million options granted during 2011:

Equity-settled	
Option pricing model used	Binominal
Weighted average share price at grant date (pence)	2.25
Exercise price (pence) (4 million at each price)	5, 7.5,10
Weighted average expected life (years)	10 years
Expected volatility	175%
Expected dividend yield	Nil
Risk-free interest rate	3.765%

20. Share-based payment (continued)

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 period 3 December 2009 (date of relisting) to 12 April 2011.

The options have no vesting period but cannot be exercised until the share price reaches 15 pence. The binomial model was used to predict that the vesting price would not be reached for 4 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:

	2012 £'000	2011 £'000
Equity-settled schemes	**67**	96

21. Related party transactions

During the year, £25,000 (2011: £50,000) was advanced each by F Kee, D Turner and A Fisher. During the year, all three directors converted this additional £25,000 loan into 1,666,667 shares of 1p for a price of 1.5p per share. At the year end the group owed D Turner £25,000 (2011: £25,000) and A Fisher £50,000 (2011: £50,000). Interest of £2,000 (2011: £2,356) and £4,000 (2011: £806) was payable on the loan from D Turner and A Fisher respectively at a rate of 8% per annum.

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 17 to the consolidated financial statements.

22. 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.

Payments recognised as an expense

	2012 £'000	2011 £'000
Minimum lease payments	**58**	69
Sub-lease payments receivable	**-**	(15)
	58	54

As at 31 December 2012, the Group had total commitments under non-cancellable operating leases of which total future rental payments are as follows:

	2012 £'000	2011 £'000
Not later than 1 year	**25**	47
Later than 1 year and not older than 5 year	**47**	36

23. 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:

	Loans and receivables	
	2012 £'000	2011 £'000
Current financial assets		
Trade and other receivables	**43**	103
Cash and cash equivalents	**648**	182
Total current financial assets	**691**	285

	Financial liabilities measured at amortised cost	
	2012 £'000	2011 £'000
Current financial liabilities		
Trade and other payables	**135**	153
Borrowings	**99**	152
	234	305
Non-current financial liabilities		
Long term borrowings	**1,856**	308
Total financial liabilities	**2,090**	613

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:

23. Financial instruments (continued)

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 15.

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 17).

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 5% over LIBOR. The Board does not undertake hedging arrangements. The Group is subject to fair value risk on fixed interest loans described in note 17 which total £1,500,000.

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 2012 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:

	2012		2011	
	Sterling £'000	**US Dollars £'000**	Sterling £'000	US Dollars £'000
Trade and other receivables	**77**	**41**	49	54
Cash and cash equivalents	**609**	**9**	147	35
Trade and other payables	**102**	**59**	125	28
Borrowings	**1,956**	**-**	460	-

24. Post-balance sheet events

After the year-end, Kifin Limited and NW1 Investments Limited agreed to provide Fitbug Holdings plc with a loan of £750,000 with an interest rate of 5% per annum. The interest is payable on a quarterly basis. The loan falls due on 31 July 2014.

Company Balance Sheet

As at 31 December 2012

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Tangible Fixed Assets	5		-		1
Investments	6		**1,171**		1,171
			1,171		1,172
Current assets					
Debtors	7	**3,363**		1,940	
Cash at bank and in hand		**620**		115	
		3,983		2,055	
Creditors – amounts falling due within one year	8	**(226)**		(212)	
Net current assets			**3,757**		1,843
Total assets less current liabilities			**4,928**		3,015
Creditors – amounts falling due after more than one year	9		**(1,856)**		(308)
Net assets			**3,072**		2,707
Capital and reserves					
Called up share capital	11		**1,685**		1,307
Share premium account	13		**1,034**		785
Profit and loss reserve	13		**353**		615
Total shareholders' funds			**3,072**		2,707

The financial statements on pages 34 to 40 were approved by the Board of Directors on 31 May 2013 and were signed on its behalf by:

Andrew Brummer
Finance Director
31 May 2013

The notes on pages 35 to 40 are an integral part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 December 2012

1. Significant accounting policies

Basis of accounting
These financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards and applicable law (UK GAAP). The following principal accounting policies have been applied:

Going concern
The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. Details of the uncertainties relating to this assumption and its potential impact are set out in note 2 to the consolidated financial statements.

Valuation of investments
Investments held as fixed assets are stated at cost less provision for impairment.

Depreciation
Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over the expected useful lives. It is calculated at the following rates:

Fixtures, fittings and equipment	-	33.3% straight line

Impairment of fixed asset investments
The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use. This is only done when there are indicators of impairment.

Cash flow statement and related party disclosures
The Company has taken advantage of the exemption in Financial Reporting Standard No 1 (revised 1996) from the requirement to produce a cash flow statement as the cash flows of the Company have been included in the Fitbug Holdings Plc consolidated cash flow statement. The company has taken advantage of the exemption in Financial Reporting Standard No 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared.

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.

Deferred tax
Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Any deferred tax balances are not discounted. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted.

2. Loss 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 of £329,000 for the year ended 31 December 2012 (2011: £198,000).

The auditors' remuneration for audit services to the company was £14,000 (2011: £14,000). Auditors' remuneration for non-audit services (taxation compliance) to the company was £4,000 (2011: £4,000). See note 9 to the consolidated financial statement for full details of auditors' remuneration.

Notes to the Company Financial Statements

For the year ended 31 December 2012

3. Employees

	2012	2011
	£'000	£'000
Staff costs consist of:		
Wages and salaries	**97**	41
Social security costs	**13**	5
Total	**110**	46

The average number of employees during the year was as follows:	**Number**	Number
Full time	**2**	1

4. Directors' remuneration

See note 8 to the consolidated financial statements for full details.

5. Fixed assets

	Plant and equipment £'000
Cost	
At 1 January 2012	66
Disposals	(54)
At 31 December 2012	12
Depreciation	
At 1 January 2012	65
Charge for the period	1
Disposals	(54)
At 31 December 2012	12
Net book value at 31 December 2012	-
Net book value at 31 December 2011	1

Notes to the Company Financial Statements

For the year ended 31 December 2012

6. Fixed asset investments

	Subsidiary undertakings £'000
Cost and net book value	
At 1 January 2011 and 31 December 2012	1,171

The following were subsidiary undertakings at the end of the year:

	Proportion of voting rights and ordinary share capital held	**Country of incorporation**	**Activity**
Subsidiary undertakings			
ADDleisure 2004 Limited	100%	England & Wales	Dormant
ADDleisure Consulting Limited	100%	England & Wales	Dormant
ADDleisure 2009 Limited	100%	England & Wales	Dormant intermediate holding company
Fitbug Limited	100%	England & Wales	Provision of online health and well-being services
Fitbug Inc	100%	United States	Provision of online health and well-being services
Fitbug Limited	100%	Australia	Provision of online health and well-being services

Notices to strike off the above dormant companies have been filed at Companies House.

Shares in Fitbug Inc and Fitbug Limited (Australia) are held by Fitbug Limited (United Kingdom).

7. Debtors

	2012 £'000	2011 £'000
Trade debtors	**1**	1
Amounts due from subsidiary undertakings	**3,289**	1,915
Taxation and social security	**7**	3
Other debtors	**66**	21
	3,363	1,940

A provision of £1,383,000 (2011: £1,383,000) has been made against amounts due from ADDleisure 2004 Limited, a subsidiary undertaking.

8. Creditors – amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	**18**	7
Taxation and social security	**4**	3
Accruals and deferred income	**105**	50
Shareholder loan	**24**	77
Other creditors	**75**	75
	226	212

9. Creditors – amounts falling due after more than one year

	2012 £'000	2011 £'000
Shareholder loan	**356**	308
Loan	**1,500**	-
	1,856	308

Shareholder Loan

Interest accrues on the shareholder loan at an annual rate of LIBOR plus 5 per cent and will accrue until repayment of the loans. Interest has been charged on the loan of £22,001 (2011: £8,283).

The balance of monies due under the terms of the loan agreement 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.

Covertable Loan

During the year, Fitbug Holdings plc agreed terms on a £1,000,000 convertible loan. The £1,000,000 loan from Kifin Limited, a Kirsh Group subsidiary, issued under a convertible loan note instrument dated 28 June 2012 is for a term of three years to 30th June 2015. The Loan will accrue interest at a rate of 5% per annum, payable in arrears at the end of the first year and quarterly thereafter. The loan note is convertible by the holder, at any time, into 66,666,667 ordinary shares in Fitbug Holdings plc at a price of 1.5 pence per ordinary share. Kifin Limited has the right to appoint a director to the Board of the Company should they wish to do so.

Other Loans

During the year, Kifin Limited agreed to provide Fitbug Holdings plc with a loan of £500,000 with an interest rate of 5% per annum. The interest is payable on a quarterly basis. The loan falls due on 31 July 2014, however, Fitbug Holdings plc can elect to repay the capital balance at any time prior to the end of the loan period. In the event of default on this variation, not rectified within 90 days, the whole amount of interest and capital will become due immediately.

The maturity analysis of the loans is hence as follows:

	2012 £'000	2011 £'000
Repayable:		
Within 1 year	**24**	77
Between 1 and 5 years	**1,856**	308
	1,880	385

10. Fixed Instruments

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 9 which are subject to a variable rate of interest. Liquidity risk is described in notes 2 and 23 to the consolidated financial statements.

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.

11. 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 2011 - In issue	130,737,195		1,307	785
February 2012 - Issue of shares for cash	29,444,445	1.8p	295	207
June 2012 - Debt conversion	5,000,000	1.5p	50	25
June 2012 - Issue of shares for cash	3,333,333	1.5p	33	17
At 31 December 2012	168,514,973		1,685	1,034

In June 2012 5,000,000 ordinary shares of 1p were issued in settlement of £75,000 of outstanding debt.

12. Share-based payment and outstanding options over unissued shares

Refer to note 20 in the Group financial statements for full details.

13. Reserves

	Share premium account £'000	**Profit and loss reserve £'000**
1 January 2012	785	615
New shares subscribed	249	-
Loss for the financial year	-	(329)
Share based payment	-	67
31 December 2012	1,034	353

14. Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Loss for the year	**(329)**	(198)
New share capital subscribed	**627**	1,112
Credit to equity in respect of share based payments	**67**	96
Net increase in shareholders' funds	**365**	1,010
Opening shareholders' funds	**2,707**	1,697
Closing shareholders' funds	**3,072**	2,707

14. Commitments under operating leases

At 31 December 2012, the company was committed to making the following payments under non-cancellable operating leases in the year ending 31 December 2012:

	Other	
	2012 £'000	2011 £'000
Operating leases which expire in 1 to 5 years	**6**	-

15. Related party transactions

Employee loans of £262,499 (2011: £262,499) were outstanding at 31 December 2012, against which a provision for irrecoverable amounts of £255,766 (2011: £253,670) had been made. The employee loans are interest free and repayment is due when an employee sells their shares in Fitbug Holdings plc. The carrying value of the loans represents the share price of Fitbug Holdings plc, as this is deemed to be the recoverable amount upon the employees selling their shares.

During the year, £25,000 (2011: £50,000) was advanced each by F Kee, D Turner and A Fisher. During the year, all three directors converted this additional £25,000 loan into 1,666,667 shares of 1p for a price of 1.5p per share. At the year end the group owed D Turner £25,000 (2011: £25,000) and A Fisher £50,000 (2011: £50,000). Interest of £2,000 (2011: £2,356) and £4,000 (2011: £806) was payable on the loan from D Turner and A Fisher respectively at a rate of 8% per annum.

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 17 to the consolidated financial statements.

16. Post-balance sheet events

After the year-end, Kifin Limited and NW1 Investments Limited agreed to provide Fitbug Holdings plc with a loan of £750,000 with an interest rate of 5% per annum. The interest is payable on a quarterly basis. The loan falls due on 31 July 2014.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Fitbug Holdings Plc ("the Company") will be held at First Floor, Waterside House, 47-49 Kentish Town Road, London NW1 8NX on 27 June 2013 at 1.00 p.m. for the transaction of the following business:

Ordinary Business

To consider, and, if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the report of the Directors of the Company and the audited accounts for the Company for the year ended 31 December 2012.
2. To re-appoint Geoffrey Simmonds as a Director of the Company, who retires in accordance with Article 24.1 of the Company's Articles of Association.
3. To re-appoint David Turner as a Director of the Company, who retires in accordance with Article 24.1 of the Company's Articles of Association.
4. To re-appoint Hazlewoods LLP as auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

As special business, to consider and, if thought fit, pass Resolution numbered 5 which will be proposed as an Ordinary Resolution and Resolutions numbered 6 and 7 which will be proposed as Special Resolutions:

5. THAT the Directors of the Company be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company and/or to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to a maximum nominal amount of £800,908, provided that this authority shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this Resolution or, if earlier, fifteen months from the date of the passing of this Resolution save that the Company may prior to the expiry of such period make any offer or agreement which would or might require shares to be allotted and/or Rights to be granted after such expiry and the Directors of the Company shall be entitled to allot shares and/or to grant Rights pursuant to any such offer or agreement as if this authority had not expired.

6. THAT, subject to the passing of Resolution 5 above, the Directors of the Company be empowered pursuant to section 570 and section 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by Resolution 5 above, as if section 561(1) of the Act did not apply to such allotment provided this power shall be limited to:
    (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of equity securities open for acceptance for a period fixed by the Directors of the Company to holders of equity securities on the register on a fixed record date where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to their respective holdings of such equity securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised body or stock exchange in, any territory or by virtue of shares being represented by depositary receipts or any other matter); and
    (ii) the allotment to any person or persons (otherwise than pursuant to sub-paragraph (i) of this Resolution above) of equity securities up to an aggregate nominal amount of £800,908; provided that the power given by this Resolution shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this Resolution or, if earlier, fifteen months from the date of the passing of this Resolution, save that the Directors of the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors of the Company shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred hereby had not expired.

7. To consider, and if thought fit, to amend the Company's articles of association by the insertion of a new Article 5.5A immediately following Article 5.5 as follows:

    "5.5A Any certificate issued under Article 5.5 or otherwise under these Articles shall be issued either under the Seal (which may be affixed to it, printed on it or a representation of it be authenticated by laser seal on the certificate) or in such other manner having the same effect as if issued under a seal and, having regard to the provisions of the 2006 Act and the rules and regulations applicable to any recognised investment exchange on which the Ordinary Shares are admitted or any other stock exchange on which the Ordinary Shares are traded, as the Board may determine."

By order of the Board

David Turner
Director

Registered office:
First Floor, Waterside House
47-49 Kentish Town Road
London NW1 8NX

Notice of Annual General Meeting

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.

2. A Form of Proxy is enclosed for your use if desired. The instrument appointing a proxy must reach the Company's Registrars,Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, W. Yorkshire HD8 0GA not less than 48 hours before the time of holding of the meeting.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders of the Company on the register of members of the Company 48 hours before the time set for the meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, W. Yorkshire HD8 0GA.

6. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

7. Except as provided above, members who have general queries about the meeting should contact Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, W. Yorkshire HD8 0GA. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the chairman's letter, the form of proxy and the Directors' letter and explanatory note in respect of electronic communications) to communicate with the Company for any purposes other than those expressly stated.

8. A copy of the Register of Directors' Interests in shares in the Company and copies of the Directors' service contracts of more than one year's duration will be available for inspection at the registered office of the Company during business hours only on any weekday (excluding Satur days, Sundays and public holidays) from the date of this notice until the date of the meeting and at the place of the meeting for at least 15 minutes prior to and during the meeting.

CUT

Form of Proxy

Fitbug Holdings Plc, Company Number: 04466195

For use at the Annual General Meeting of the Company convened for Thursday 27 June 2011 at 1.00 p.m.

I/We ....

(BLOCK LETTERS PLEASE)
of ....

being a member of Fitbug Holdings Plc, hereby appoint the Chairman of the meeting, or*

....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at First Floor, Waterside House, 47-49 Kentish Town Road, London NW1 8NX on Thursday 27th June 2013 at 1.00 p.m. on the following Resolutions, to be submitted to the meeting and at any adjournment thereof, and any other business which may properly come before the meeting and any adjournment thereof.

Please indicate with an 'X' in the appropriate space how you wish your vote to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

Ordinary Resolutions	**For**	**Vote Against**	**Withheld***
1. To receive and adopt the report of the Directors of the Company and the audited accounts for the Company for the year ended 31 December 2012.			
2. To re-appoint Geoffrey Simmonds as a Director of the Company, who retires in accordance with the Company's Articles of Association.			
3. To re-appoint David Turner as a Director of the Company, who retires in accordance with the Company's Articles of Association.			
4. To appoint Hazlewoods LLP as auditors of the Company and to authorise the Directors to fix their remuneration.			
5. To authorise the Directors generally and unconditionally to allot or grant rights to subscribe for or to convert any security into shares in accordance with Section 551 of the Companies Act 2006 (subject to certain specified limitations).			
Special Resolution	**For**	**Vote Against**	**Withheld****
6. To authorise the Directors disapply the statutory rights of pre-emption in relation to the allotments of equity securities, subject to certain limitations.			
7. To amend the Company's articles of association by the insertion of a new Article 5.5A			

Signature ....

Dated .... day of 2013

* You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf.

** Please note that if the "Vote Withheld" box is marked with a "X", the Shareholder will not be counted in the calculation of votes "For" and "Against" and the Shareholder will not be taken to have given his/her/their discretion to the Proxy, on how to vote.

Notes:

1. As a member of the Company, you are entitled to appoint a proxy to exercise all of any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company but must attend the Meeting to represent you. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
2. Completion and return of the form of proxy will not preclude ordinary shareholders from attending or voting at the meeting, if they so wish.
3. To be effective, this proxy form must be lodged with the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, United Kingdom BR3 4TU not later than 48 hours (excluding any part of a day that is not a working day) before the time of the Meeting, or any adjournment thereof, together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or, where the proxy form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.
4. In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the register of members will be counted. Any alterations made in this proxy should be initialled.
5. In the case of a corporation this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised.
6. As provided by Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company 48 hours before the time set for the Meeting shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
7. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Please contact the Company's Share Registrar for the purpose of requesting additional proxy forms. You will need to state clearly on each proxy form how many shares the proxy was appointed in relation to.

CUT

Third fold and tuck in

Business Reply
Licence Number
RSBH-UXKS-LRBC

PXS
34 Beckenham Road
BECKENHAM
BR3 4TU

Second fold

First fold