fitbug holdings plc

Annual Report 2013

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Chairman & Chief Executive Statement

‘Wearable technology’ continues to progress strongly as the digital health sector becomes established. We are pleased to report that our new products launched both before and since the year end have strengthened Fitbug’s position in the Wearables and Digital Health category. Following substantial investment, our core product repertoire now consists of the Fitbug Orb, a Bluetooth Smart, wireless activity and sleep tracker, and Kikplan™, which is in development for release in Q3. Kikplan™ is a personalised coaching service designed to work with activity trackers to meet health, weight and fitness goals.

Both Fitbug Orb and Kikplan™ have been commended on an industry level and, reflecting this, we have to date in 2014 secured new contracts, strengthened our sales teams, increased retail uptake, gained financing on attractive terms, and positioned the business for increased uptake and value enhancement.

At £1.2 million, sales and confirmed orders so far in 2014 are 60% higher than overall sales for the whole of 2013. Since January 2014 we have appointed ten retail distribution partners, to provide coverage in the UK, US, France, Germany, Italy, Russia, South Africa, S.E Asia, Australia and New Zealand. In the US, we signed an exclusive retail sales representative agreement with Griffin International Companies, Inc. Following these appointments in 2014, we are pleased to announce that so far some 20 retailers have confirmed plans to stock Fitbug products. These retailers include Tesco, Dixons and PC World in the UK, Dick Smith and Myer in Australia, Incredible Connections and Dion Wired in South Africa, Mvideo in Russia and Radioshack in the US.

The Company’s new products complement a portfolio of integrated connected health products as Fitbug increases its presence in the mobile healthcare market. Our key focus is now on building our presence and revenues across the retail market. This change in strategy is fuelled by highly positive industry forecasts. For example, in a February 2014 assessment of the market, Canalys Research predict wearable band sales to increase to 17 million in 2014, growing to over 45 million by 2017. Additionally, wearables were recognised as one of the fastest growing product categories at the January 2014 Consumer Electronic Show and, according to ABI research, total wearable adoption is expected to grow to 170 million per annum in 2017.

We have positioned our products as good value and high quality, with multi-wear functionality, to appeal to a broad range of consumers. Fitbug has also invested in App development, significantly broadening Android smartphone connectivity. With this in mind, in order to oversee our sales development we appointed Ann Jones as Group Sales Director post period end and will gain from her strong sales and account management record.

Post period end, we appointed two new members to the Fitbug Board. Malcolm Fried, previously head of Bloomberg’s Europe, Mideast & Africa digital and broadcast business unit, has been appointed as CEO with David Turner moving to a non-executive role. We look forward to benefiting from Malcolm’s experience in building and structuring operations to optimise efficiency and value. In addition to Malcolm’s appointment we are very pleased that Ann Jones, previously at Lowendalmasai, an Enterprise Cost Management Consultancy, where she was European Business Development Director, has joined the Board as Group Sales Director. Paul Landau remains CEO of the Company’s subsidiary, Fitbug Limited, and will continue to oversee its strategic direction and pioneer product development.

The Company’s legal action against Fitbit alleging trademark infringement, unfair competition and unfair business practices is progressing and scheduled to go to trial in the U.S. District Court for Northern California in early 2015. We believe that we have a strong case.

Fitbug’s financial results for the year ended 31 December 2013 show revenues of £749,000 (31 December 2012: £1,334,000) and a loss before tax of £2,643,000 (31 December 2012: £1,444,000) which reflects the significant investment in new product development and innovation and the strategic decision to focus the Company’s product range on the retail consumer market where the Board believe there are substantial growth opportunities as wearable device adoption become mainstream. Fitbug’s cash balance at 31 December 2013 was £139,000 (2012: £648,000).

Importantly, we have supportive financial backers in NW1 Investments and Kirsh Group. In 2013 we signed loan agreements for £2,000.000 with NW1 Investments Limited (‘NW1’) and Kifin Limited (‘Kifin’), a Kirsh Group subsidiary, at an interest rate of 5%. Post period end we have signed additional loan agreements for £2,000,000 million on the same terms, and were also delighted to announce an agreement that the repayment date of all loans to the Company were extended to 31 July 2015. The funds will be used to support business development and the marketing of our products.

Fitbug, by expanding the product range, switching our strategic distribution focus to retail, and bolstering management, has positioned itself for growth. The Company’s strategy is supported by funding on attractive terms and we look forward to building revenues and market penetration in 2014.

Fergus Kee, Chairman, Fitbug Holdings Plc
Malcolm Fried, CEO, Fitbug Holdings Plc
28 May 2013

Current Directors

Fergus Kee FCA

Chairman

Aged 54, 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. 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. He is also Chairman of Alina Homecare Limited.

Malcolm Fried

Chief Executive

Aged 50, Malcolm Fried previously worked for Bloomberg LP for 13 years, most recently holding the position as the Head of Bloomberg's London business unit that encompassed digital and broadcast in Europe, the Middle East and Africa. Prior to Bloomberg, Malcolm was based in Johannesburg as a director of Primedia Broadcasting, overseeing a group of commercial radio stations. He has extensive experience in building and structuring operations to optimise efficiency and value.

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.

Andrew Brummer FCA

Finance Director

Aged 41, 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.

Ann Jones

Director

Aged 44, Ann joined Fitbug from Lowendalmasai, an Enterprise Cost Management Consultancy, where she was European Business Development Director. Prior to that Ann was Managing Director of Lowendalmasai UK and Head of UK Sales at Meridian Global Services.

David Turner

Non-Executive Director

Aged 68, David was a founder member of LA Fitness plc 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.

Allan Fisher B.Com, MBA

Non-Executive Director

Aged 71, 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 International.

Geoffrey Simmonds FCA

Non-Executive Director

Aged 71, Geoffrey has held a number of public company directorships and is currently Chief Executive of both Westside Investments plc and its subsidiary, Reverse Take-Over Investments plc ('RTI').

Advisers

Secretary and Registered Office
A J Brummer
1st Floor Waterside House
47 Kentish Town Road
London
NW1 8NX

Company Number
4466195

Website
www.fitbugholdings.com

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors
Hazlewoods LLP
Windsor House
Bayshill Road
Cheltenham
GL50 3AT

Solicitors
HowardKennedyFsi LLP
179 Great Portland Street
London
W1W 5LS

Nominated Adviser
Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London E14 5RB

Joint Broker
Hybridan LLP
Birchin Court
20 Birchin Lane
London EC3V 9DU

Joint Broker
Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London E14 5RB

Report of the Directors

for the year ended 31 December 2013

The directors present their report together with the audited financial statements for the year ended 31 December 2013.

Results and dividends

The results of the Group for the year ended 31 December 2013 are set out on page 12 and show a loss for the period of £2,643,000 (2012: £1,444,000).

The directors do not recommend the payment of a dividend (2012 - £nil).

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.

Substantial shareholders

On 31st December 2013 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%
D Turner	18,795,000	11.15%
Investec Wealth & Investment	17,833,656	10.58%
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	4.78%
Collins Stewart Wealth Management	5,050,000	3.00%

No other person has reported an interest of 3% or more in the Company's ordinary shares. Kifin Ltd has a convertible loan note which can be converted into 66,666,667 ordinary shares in Fitbug Holdings plc.

Post balance sheet events

After the year-end, NW1 Investment Limited agreed to provide Fitbug Holdings plc with two separate loans of £1,000,000 with an interest rate of 5% per annum. The interest is payable on a quarterly basis. The loans fall due on 31 July 2015. The repayment dates for all loans from NW1 Investments Limited and the Kirsh Group have been deferred to 31 July 2015.

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 2013		31 December 2012	
	Options	Shares	Options	Shares
F A Kee	4,500,000	22,916,667	4,500,000	22,916,667
D Turner	3,000,000	18,795,000	3,000,000	18,795,000
A J Brummer	-	-	-	-
P E Landau	4,500,000	8,788,894	4,500,000	8,788,894
A B H Fisher	-	17,170,000	-	17,170,000
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 2013 was 0.875p (2012: 1.25p) and the range during the financial period was 0.75p to 1.50p (2012: 1.25p to 3.125p). Details of any directors' interest in the transactions of the group are given in note 21.

All directors who retire by rotation or have been appointed during the year, being eligible, offer themselves for re-election.

Going concern

After making enquiries, the directors consider that the Group will have adequate resources and 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

28 May 2014

Strategic Report

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 Wearables sector with particular emphasis on the US market.

During the year, Fitbug devoted substantial investment updating its product repertoire, replacing older stock lines with the launch of the Fitbug Orb, a Bluetooth Smart, wireless activity and sleep tracker, and the Fitbug Wow scale. Both products have been well received on an industry level. Fitbug has positioned its products as good value and high quality, with multi-wear functionality, to appeal to a broad range of consumers. The development of our product range will allow Fitbug to change its strategic distribution focus to retail in 2014.

At 31 December 2013, the Group's total liabilities exceeded its total assets by £3,440,000. During the period, the Group signed loan agreements for £2,250,000 with NW1 Investments Limited ('NW1') and Kifin Limited, a Kirsh Group subsidiary, at an interest rate of 5%. Post period end, the Group has signed additional loan agreements for £2,000,000 on the same terms, and the repayment date of all loans to the Group were extended to 31 July 2015. These funds used will be used to support business development and to market our products.

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.

Principal risks and uncertainties
The market for products and services in the Wearables sector is exciting, growing and evolving quickly and 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. This includes the development of Kikplan™, a personalised coaching service designed to work with activity trackers to meet health, weight and fitness goals due for release in the Autumn 2014.

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. Attention is however drawn to note 2 to the financial statements which describes the uncertainties about the financing of the Group and its ability to continue as a going concern.

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. Through its App, Fitbug is 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.

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 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.

Directors, senior managers and employees
At 31 December 2013, there were 6 male directors and no female directors of the Group. In addition to the directors, there was one male senior manager and no female senior managers. Of the 23 employees at the end of the year 15 were male and 8 were female.

Andrew Brummer
Secretary
28 May 2014

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 2013 which comprise the Consolidated Income Statement, Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Parent Company Balance Sheet, the 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.

In addition, we read all the financial and non financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information which is materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent mistatements or inconsistencies we consider the implications for our report.

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 2013 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 £2,643,000 during the year ended 31 December 2013 and, at that date, the Group's total liabilities exceeded its total assets by £3,440,000. 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 or whether it will be possible to secure the longer term finance that is likely to be required in July 2015 when loans of £6,182,000 fall due for repayment.

These matters, together with the other matters explained in note 2 to the financial statements, indicates 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

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Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 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

28 May 2014

Company number: 4466195

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Continuing Operations			
Revenue		**749**	1,334
Cost of sales - normal		**(371)**	(524)
Gross profit before exceptional items		**378**	810
Exceptional write down of obsolete inventory		**(250)**	-
Gross profit		**128**	810
Operating and administrative expenses		**(2,672)**	(2,296)
Finance income	10	**3**	67
Finance costs	10	**(152)**	(56)
Loss before tax	6	**(2,693)**	(1,475)
Income tax	11	**50**	-
Loss for the year from continuing operations		**(2,643)**	(1,475)
Discontinued operations			
Profit for the year from discontinued operations	4	**-**	31
Loss for the year and total comprehensive income for the year attributable to equity holders of the parent		**(2,643)**	(1,444)
Loss per share	5	**(1.6)**	(0.9)

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 2013

	Notes	Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
1 January 2012		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)
Loss and total comprehensive income for the year		-	-	(2,643)	(2,643)
Share-based payment		-	-	67	67
31 December 2013		**1,685**	**1,034**	**(6,159)**	**(3,440)**

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 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Intangible assets	12	**120**	117
Property, plant and equipment	13	**14**	17
		134	134
Current assets			
Inventories	14	**723**	394
Trade and other receivables	15	**313**	223
Cash and cash equivalents	16	**139**	648
		1,175	1,265
Total assets		**1,309**	1,399
Liabilities			
Non-current liabilities			
Borrowings	17	**1,804**	1,856
		1,804	1,856
Current liabilities			
Trade and other payables	18	**567**	308
Borrowings	17	**2,378**	99
		2,945	407
Total liabilities		**4,749**	2,263
Net liabilities		**(3,440)**	(864)
Capital and reserves attributable to equity holders of the Company			
Share capital	19	**1,685**	1,685
Share premium	19	**1,034**	1,034
Retained deficit		**(6,159)**	(3,583)
Total equity		**(3,440)**	(864)

The financial statements on pages 12 to 33 were approved and authorised for issue by the Board of Directors on 27 May 2014 and signed on their behalf by:

Paul Landau
Director

Andrew Brummer
Finance Director
28 May 2014

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

Consolidated Statement of Cash Flows

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Loss before taxation		**(2,693)**	(1,444)
Adjustments for:			
- Depreciation and amortisation		**37**	120
- Share-based payments		**67**	67
- Finance income		**(3)**	(67)
- Finance expense		**152**	56
Cash flows from operating activities before changes in working capital and provisions		**(2,440)**	(1,268)
Increase in inventories		**(329)**	(229)
Increase in trade and other receivables		**(40)**	(83)
Increase in trade and other payables		**259**	98
Net cash used in operations		**(2,550)**	(1,482)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(10)**	(6)
Development costs capitalised		**(27)**	(117)
Finance income		**3**	-
Net cash used in investing activities		**(34)**	(123)
Cash flow from financing activities			
Issue of ordinary shares for cash		**-**	580
Costs directly related to issue of shares		**-**	(28)
Loan advances		**2,250**	1,575
Loan repayments		**(23)**	-
Finance expense		**(152)**	(56)
Net cash generated from financing activities		**2,075**	2,071
Net (decrease)/increase in cash and cash equivalents		**(509)**	466
Cash and cash equivalents at beginning of year		**648**	182
Cash and cash equivalents at end of year		**139**	648

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 2013

1. General information

Fitbug Holdings Plc ("the Company") and its subsidiaries (together "the Group") develops products and services in the wearables sector and has its main centre of operation in the UK.

The Company is a public limited company which is listed on the AIM 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:

- NW1 Investments Limited ('NW1') has agreed further loan facilities totalling, in aggregate, £2,000,000. These loans are repayable by 31 July 2015, but if during the term of the loan, the Group undertakes an equity issue, NW1 can elect to convert up to £1,000,000 of its outstanding loan into new ordinary shares. The repayment dates for all loans from NW1 and the Kirsh Group have been deferred to 31 July 2015.
- Repayment terms of directors' loans of £75,000 have also been deferred until 31 July 2015.

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 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 wearables sector. Revenue represents the total amount recognised by the Group for goods and services provided to third parties, excluding VAT and similar taxes.

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

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

During the previous year, the Group recognised £31,000 relating to confirmed distributions arising from the liquidation of Ez-Runner Limited, a former subsidiary company.

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 £2,643,000 (2012: £1,444,000) and the weighted average number of ordinary shares in issue for the year of 168,514,973 (2012: 159,440,927).

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

There were 13,000,000 (2012: 13,000,000) 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 the convertible loan 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:

	2013 £'000	2012 £'000
Staff costs (note 7)	**1,310**	1,132
Depreciation of plant and equipment	**13**	10
Amortisation of intangible assets	**24**	110
Operating lease rentals – property	**59**	48
Operating lease rentals – other	**7**	10
Auditors' remuneration (note 9)	**26**	28
Foreign exchange loss	**25**	22

The exceptional item relates to the write down of inventory to its saleable value.

7. Staff costs

	2013 £'000	2012 £'000
Salaries and wages	**1,127**	957
Social security costs	**116**	108
	1,243	1,065
Share based payments (note 20)	**67**	67
Total	**1,310**	1,132

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

	2013 Number	2012 Number
Administration	**6**	7
Development	**8**	6
Sales	**5**	5
Support and project management	**4**	4
	23	22

8. Directors' remuneration

The remuneration for the directors was as follows:

	2013 £'000	2012 £'000
Emoluments	**376**	332
	376	332

Highest paid director:

	2013 £'000	2012 £'000
Emoluments	**127**	121

Directors' remuneration above relates to remuneration paid to the directors of the parent company by any group company for the periods for which they were directors thereof. During the year, no directors accrued benefits under defined contribution pension schemes (2012: none)

The cost of £67,000 (2012: £67,000) 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 £000	Share based payments £'000	Benefits in kind £000	Total 2013 £000	Total 2012 £000
Executive directors					
Fergus Kee	100	25	-	125	100
Paul Landau	100	25	2	127	121
Andrew Brummer	80	-	2	82	80
David Turner	6	17	4	27	23
Non-executive directors					
Allan Fisher	6	-	4	10	6
Geoffrey Simmonds	6	-	-	6	2
Total	298	67	12	376	332

The total cost of employing the directors, who are the key management personnel, including employer's national insurance was £412,000 (2012: £365,000).

9. Auditors' remuneration

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

	2013 £'000	2012 £'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	**15**	4
Other fees	**2**	4
Total	**37**	28

10. Finance income and expense

	2013 £'000	2012 £'000
Bank interest receivable	**3**	-
Finance income - gain on equity for debt swap	**-**	67
Total finance income	**3**	67
Interest payable on Directors' loan	**(6)**	(6)
Interest payable on loan from major shareholder	**(71)**	(25)
Interest payable on other loan	**(75)**	(25)
Total finance expense	**(152)**	(56)

11. Taxation

	2013 £'000	2012 £'000
Income tax credit for the year	**50**	-

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

	2013 £'000	2012 £'000
Loss before tax	**(2,644)**	(1,444)
Loss at the applicable rate of corporation tax in the UK 23.25% (2012: 24.5%)	**(615)**	(354)
Effects of:		
Expenses not deductible and income not taxable for tax purposes	**1**	(8)
Temporary timing differences – provisions	**8**	6
Tax losses carried forward	**597**	359
Research and Development Tax Credit	**50**	-
Depreciation in excess of capital allowances	**9**	(3)
Income tax credit for the year	**50**	-

Subject to the agreement of HM Revenue and Customs, the Group has UK tax losses of approximately £9,126,000 (2012: £7,060,000) and US tax losses of approximately £689,000 (2012: £352,000) 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 2012	398	403	801
Additions	-	117	117
At 1 January 2013	398	520	918
Additions	-	27	27
At 31 December 2013	398	547	945
Amortisation/provision for impairment			
At 1 January 2012	398	293	691
Amortisation	-	110	110
At 1 January 2013	398	403	801
Amortisation	-	24	24
At 31 December 2013	398	427	825
Net book value			
At 31 December 2013	-	**120**	**120**
At 31 December 2012	-	117	117
At 1 January 2012	-	110	110

13. Property, plant and equipment

	Plant and equipment £'000
Cost	
At 1 January 2012	210
Additions	6
Disposals	(84)
At 31 December 2012	132
Additions	10
At 31 December 2013	142
Depreciation	
At 1 January 2012	189
Charge for the year	10
Disposals	(84)
At 31 December 2012	115
Charge for the year	13
At 31 December 2013	128
Net book value	
At 31 December 2013	**14**
At 31 December 2012	17
At 1 January 2012	21

14. Inventories

	2013 £'000	2012 £'000
Goods held for resale	**723**	394

The cost of inventories recognised as an expense during the period in respect of continuing operations was £621,000 (2012: £437,000).

15. Trade and other receivables

	2013	2012
	£'000	£'000
Current Assets		
Trade receivables	**99**	50
Less: provision for impairment of trade receivables	**-**	(24)
	99	26
Employee loans	**5**	7
Prepayments and accrued income	**134**	158
Income tax receivable	**50**	-
Other taxes and social security	**9**	20
Other debtors	**16**	12
	313	223

Trade receivables disclosed above are classified as financial assets measured at amortised cost. The average credit period on sales of goods is 33 days (2012: 15 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.

	2013	2012
	£'000	£'000
31 - 60 days	49	5
61 – 90 days	25	5
90+ days	25	6
	99	16

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

	2013	2012
	£'000	£'000
Balance at the start of the year	24	1
Provision for receivables impairment	-	24
Receivables written off during the year as uncollectible	(24)	(1)
At 31 December	**-**	24

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 (2012: £262,499) relating to former employees of the Group were outstanding at 31 December 2013 against which a provision for irrecoverable amounts of £257,730 (2012: £255,776) 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 2013, 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

	2013 £'000	2012 £'000
Cash at bank and in hand	**139**	648

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

17. Borrowings

	2013 £'000	2012 £'000
Current liabilities		
Shareholder loans	**2,303**	24
Directors' loans	**75**	75
	2,378	99
Non-current liabilities		
Shareholder loans	**304**	356
Convertible Loan	**1,000**	1,000
Other Loan	**500**	500
	1,804	1,856
	4,182	1,955

Directors' loans

Loans from the directors are repayable on 31 July 2015, or earlier at the discretion of the company. Interest is accrued at a rate of 8% to be paid on 30 June 2015 and the Directors have the option to convert outstanding loan amounts and accrued interest to ordinary shares in Fitbug Holdings plc.

Shareholder loan

During the year, NW1 Investments Limited agreed to provide Fitbug Holdings plc with loans totalling £2,250,000, in addition to loans outstanding at the beginning of the year of £356,000, with an interest rate of 5% per annum. At the end of the year the total owing was £2,607,000 the interest is payable on a quarterly basis. The loans fell due for repayment on 31 July 2014. Post year-end, the repayment date of the loans was extended to 31 July 2015.

Interest accrues on the original shareholder loan at an annual rate of LIBOR plus 5 per cent and will accrue until repayment of the loans. Total interest charged on all the loans during the year is £71,490 (2012: £22,001). The balance of monies due under the terms of the loan agreements is secured by way of a debenture granted by the company and Fitbug Limited. The debenture entered into by Fitbug Holdings plc and Fitbug Limited constitutes fixed and floating charge over the assets of the Group and of the Company.

Shareholder loan (continued)

Convertible loan
The £1,000,000 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 quarterly. 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.

Other loans
The loan of £500,000 has an interest rate of 5% per annum. The interest is payable on a quarterly basis and the loan fell due for repayment on 31 July 2014. Post year-end the repayment term of the loan was extended to 31 July 2015.

The maturity analysis of the loans is as follows:

	2013	2012
	£'000	£'000
Repayable:		
Within 1 year	2,378	99
Between 1 and 5 years	1,804	1,856
	4,182	1,955

18. Trade and other payables

Current

	2013	2012
	£'000	£'000
Trade payables	196	135
Other payables	33	19
Accruals	248	154
	567	308

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 2013 as a proportion of amounts invoiced by suppliers during the year was 37 days (2012: 30 days).

19. Share capital and share premium

Allotted, called up and fully paid			
Ordinary shares		**Ordinary Shares**	**Share premium**
Ordinary shares of 1p each	**No.**	**£'000**	**£'000**
At 31 December 2012 and 31 December 2013	168,514,973	1,685	1,034

20. Share-based payment

Fitbug Holdings plc operates two equity-settled share-based remuneration schemes for employees which are both Enterprise Management Incentive ("EMI") Schemes. 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	2013		2012	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at the beginning of the year	13,300,000	7.70	13,300,000	7.70
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 (2012: 7.70p) and their weighted average remaining contractual life was 8.29 years (2012: 9.29 years).

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%

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:

	2013 £'000	2012 £'000
Equity-settled schemes	**67**	67

21. Related party transactions

During the year, £nil (2012: £25,000) was advanced each by F Kee, D Turner and A Fisher. At the year end the group owed D Turner £25,000 (2012: £25,000) and A Fisher £50,000 (2012: £50,000). Interest of £2,000 (2012: £2,000) and £4,000 (2012: £4,000) 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.

	2013	2012
	£'000	£'000
Minimum lease payments	**40**	58
	40	58

As at 31 December 2013, the Group had total commitments under non-cancellable operating leases of which total future rental payments are as follows:

	2013	2012
	£'000	£'000
Not later than 1 year	**16**	25
Later than 1 year and not older than 5 year	**69**	47

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	
	2013 £'000	2012 £'000
Current financial assets		
Trade and other receivables	**120**	45
Cash and cash equivalents	**139**	648
Total current financial assets	**259**	693

	Financial liabilities measured at amortised cost	
	2013 £'000	2012 £'000
Current financial liabilities		
Trade and other payables	**196**	135
Borrowings	**2,378**	99
	2,574	234
Non-current financial liabilities		
Long term borrowings	**1,804**	1,856
Total financial liabilities	**4,378**	2,090

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 £3,750,000.

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 2013 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:

	2013		2012	
	Sterling £'000	**US Dollars £'000**	Sterling £'000	US Dollars £'000
Trade and other receivables	**77**	**52**	77	41
Cash and cash equivalents	**129**	**10**	609	9
Trade and other payables	**71**	**125**	102	59
Borrowings	**4,182**	**-**	1,955	-

24. Post-balance sheet events

After the year-end, NW1 Investments Limited agreed to provide Fitbug Holdings plc with two separate loans of £1,000,000 with an interest rate of 5% per annum. The interest is payable on a quarterly basis. The loans fall due on 31 July 2015. The repayment dates for all loans from NW1 Investments Limited and the Kirsh Group have been deferred to 31 July 2015.

Company Balance Sheet

As at 31 December 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Investments	6		**1,171**		1,171
			1,171		1,171
Current assets					
Debtors	7	**31**		3,363	
Cash at bank and in hand		**110**		620	
		141		3,983	
Creditors – amounts falling due within one year	8	**(2,548)**		(226)	
Net current assets			**(2,407)**		3,757
Total assets less current liabilities			**(1,236)**		4,928
Creditors – amounts falling due after more than one year	9		**(1,804)**		(1,856)
Net assets			**(3,040)**		3,072
Capital and reserves					
Called up share capital	11		**1,685**		1,685
Share premium account	13		**1,034**		1,034
Profit and loss reserve	13		**(5,759)**		353
Total shareholders' funds			**(3,040)**		3,072

The financial statements on pages 34 to 40 were approved by the Board of Directors on 27 May 2014 and were signed on its behalf by:

Andrew Brummer
Finance Director
28 May 2014

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 2013

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. Profit for the year

As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss in these financial statements. Fitbug Holdings Plc reported a loss on ordinary activities after tax of £6,179,000 for the year ended 31 December 2013 (2012: £329,000).

The auditors' remuneration for audit services to the company was £14,000 (2012: £14,000). Auditors' remuneration for non-audit services (taxation compliance) to the company was £4,000 (2012: £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 2013

3. Employees

	2013 £'000	2012 £'000
Staff costs consist of:		
Wages and salaries	**138**	97
Social security costs	**16**	13
Share based payments	**67**	67
Total	**221**	177

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

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 2013 and 31 December 2013	12
Depreciation	
At 1 January 2013 and 31 December 2013	12
Net book value at 31 December 2013	-
Net book value at 31 December 2012	-

6. Fixed asset investments

	Subsidiary undertakings £'000
Cost and net book value	
At 1 January 2013 and 31 December 2013	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			
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

Shares in Fitbug Inc. are held by Fitbug Limited.

During the year Fitbug Limited Australia was de-registered.

7. Debtors

	2013 £'000	2012 £'000
Trade debtors	**1**	1
Amounts due from subsidiary undertakings	**-**	3,289
Taxation and social security	**6**	7
Other debtors	**24**	66
	31	3,363

8. Creditors – amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	**17**	18
Taxation and social security	**4**	4
Accruals and deferred income	**149**	105
Shareholder loan	**2,303**	24
Other creditors	**75**	75
	2.548	212

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

	2013 £'000	2012 £'000
Shareholder loan	304	356
Loan	1,500	1,500
	1,804	1,856

Shareholder Loan

During the year, NW1 Investments Limited agreed to provide Fitbug Holdings plc with loans totalling £2,250,000, in addition to loans outstanding at the beginning of the year of £356,000, with an interest rate of 5% per annum. At the end of the year the total owing was £2,607,000 the interest is payable on a quarterly basis. The loans fell due for repayment on 31 July 2014. Post year-end, the repayment date of the loans was extended to 31 July 2015.

Interest accrues on the original shareholder loan at an annual rate of LIBOR plus 5 per cent and will accrue until repayment of the loans. Total interest charged on all the loans during the year is £71,490 (2012: £22,001). The balance of monies due under the terms of the loan agreements is secured by way of a debenture granted by the company and Fitbug Limited. The debenture entered into by Fitbug Holdings plc and Fitbug Limited constitutes fixed and floating charge over the assets of the Group and of the Company.

Covertible Loan

The £1,000,000 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 quarterly. 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.

Other Loans

The loan of £500,000 has an interest rate of 5% per annum. The interest is payable on a quarterly basis and the loan fell due for repayment on 31 July 2014. Post year-end the repayment term of the loan was extended to 31 July 2015.

The maturity analysis of the loans is hence as follows:

	2013 £'000	2012 £'000
Repayable:		
Within 1 year	2,303	24
Between 1 and 5 years	1,804	1,856
	4,107	1,880

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 2012 and 31 December 2013	168,514,973	1p	1,685	1,034

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 2013	1,034	353
Loss for the financial year	-	(6,179)
Share based payment	-	67
31 December 2013	1,034	(5,759)

Notes to the Company Financial Statements

For the year ended 31 December 2013

14. Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Loss for the year	**(6,179)**	(329)
New share capital subscribed	**-**	627
Credit to equity in respect of share based payments	**67**	67
Net increase in shareholders' funds	**(6,112)**	365
Opening shareholders' funds	**3,072**	2,707
Closing shareholders' funds	**(3,040)**	3,072

14. Commitments under operating leases

At 31 December 2013, the company was committed to making the following payments under non-cancellable operating leases in the year ending 31 December 2013:

	Other	
	2013 £'000	2012 £'000
Operating leases which expire in 1 to 5 years	**6**	6

15. Related party transactions

Employee loans of £262,499 (2012: £262,499) were outstanding at 31 December 2013, against which a provision for irrecoverable amounts of £257,730 (2012: £255,766) 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, £nil (2012: £25,000) was advanced each by F Kee, D Turner and A Fisher. At the year end the group owed D Turner £25,000 (2012: £25,000) and A Fisher £50,000 (2012: £50,000). Interest of £2,000 (2012: £2,000) and £4,000 (2012: £4,000) 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, NW1 Limited agreed to provide Fitbug Holdings plc with two separate loans each of £1,000,000 with an interest rate of 5% per annum. The interest is payable on a quarterly basis. The loans fall due on 31 July 2015.

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 Kentish Town Road, London NW1 8NX on 25 June 2014 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 2013.
2. To re-appoint Fergus Kee 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 Allan Fisher 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 Malcolm Fried as a Director of the Company, who retires in accordance with Article 21.2 of the Company's Articles of Association
5. To re-appoint Ann Jones as a Director of the Company, who retires in accordance with Article 21.2 of the Company's Articles of Association
6. To re-appoint Hazlewoods LLP as auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business to consider and, if thought fit, pass Resolution numbered 7 which will be proposed as an Oridinary Resolution and Resolution numbered 8 which will be proposed as a Special Resolution

Special Business

7. 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.
8. THAT, subject to the passing of Resolution 7 above, the Directors of the Company be empowered pursuant to section 570 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.

By order of the Board

Andrew Brummer
Secretary

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

Notice of Annual General Meeting

1. Pursuant to Part 13 of the Companies Act 2006 and to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at 6.00 p.m. on 23 June 2014 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

2. If you wish to attend the AGM in person, you should make sure that you arrive at the venue for the AGM in good time before the commencement of the meeting. You may be asked to prove your identity in order to gain admission.

3. A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the AGM in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment). A proxy form is enclosed. The notes to the proxy form include instructions on how to appoint the Chairman of the AGM or another person as a proxy. You can only appoint a proxy using the procedures set out in these Notes and in the notes to the proxy form.

4. To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrar, Capita Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 1.00 p.m. on 23 June 2014.

5. As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 1.00 p.m. on 23 June 2014.

6. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

7. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to repre sent it. This can be done in one of two ways: Either by the appointment of a proxy (described in Notes 3 to 5 above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.

8. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the AGM and will also be available for inspection at the place of the AGM 15 minutes prior to and during the meeting:
   (a) copies of the executive directors' service contracts with the Company and any of its subsidiary undertakings and letters of appointment of the non-executive directors; and
   (b) the register of interests of directors in the share capital of the Company.

Form of Proxy

Fitbug Holdings Plc, Company Number: 04466195

For use at the Annual General Meeting of the Company convened for 25 June 2014 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 Kentish Town Road, London NW1 8NX on 25 June 2014 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		**Vote**	
	For	**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 2013.			
2. To re-appoint Fergus Kee as a Director of the Company, who retires in accordance with the Company's Articles of Association.			
3. To re-appoint Allan Fisher as a Director of the Company, who retires in accordance with the Company's Articles of Association.			
4. To re-appoint Malcolm Fried as a Director of the Company, who retires in accordance with the Company's Articles of Association			
5. To re-appoint Ann Jones as a Director of the Company, who retires in accordance with the Company's Articles of Association			
6. To appoint Hazlewoods LLP as auditors of the Company and to authorise the Directors to fix their remuneration.			
7. 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 8. To authorise the Directors disapply the statutory rights of pre-emption in relation to the allotments of equity securities, subject to certain limitations			

Signature ....

Dated .... day of 2014

1. A member entitled to attend, speak and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him. The proxy need not be a member of the Company. If you wish to appoint someone other than the Chairman, please insert the name of your chosen proxy holder in the space provided, delete the words 'the Chairman of the meeting or' and initial the alterations.
2. Please indicate with an "X" in the appropriate box above how you wish the vote to be cast. If the form is returned without any indication as to how the proxy is directed to vote in relation to the resolutions summarised above and set out in full in the notice of Annual General Meeting, the proxy may vote or abstain at his/her discretion.
3. If the proxy is being appointed in relation to less than your full voting entitlement, please indicate on the line provided the number of shares in relation to which that person is authorised to act as your proxy. If left blank, your proxy will be deemed to be authorised in respect of your full voting entitlement.
4. To appoint more than one proxy you may photocopy this form. If you appoint multiple proxies please indicate on the line provided the number of shares in relation to which the person named on this form is authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you), and also indicate by ticking the box provided that the proxy instruction is one of multiple instructions being given. All forms must be signed and returned to Capita Asset Services, the Company's registrars, at the address specified in Note 8 below, together in the same envelope.
5. Completion and return of the form of proxy, or any electronic proxy, will not preclude shareholders from attending, speaking and voting in person at the meeting or adjournment of the meeting.
6. To be effective, this form of proxy should be signed by a member, or his/her attorney duly authorised in writing, and, if a corporation, this form of proxy must be executed under its common seal or under the hand of a duly authorised officer or attorney (or under the hand of another person duly authorised to sign it).
7. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only holders of ordinary shares entered in the register of members of the Company as at 6.00 p.m. on 23 June 2014 or, if the meeting is adjourned, at 6.00 p.m. on the second day prior to the date of 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 6.00 p.m. on 23 June 2014 or, if the meeting is adjourned, in the register of members after 6.00p.m. on the second day prior to the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any such adjournment.
8. To be valid for the meeting, this form of proxy should be completed, signed and lodged (together with any power of attorney or any other written authority under which it is executed or a notarially certified copy of such authority or certified in some other way approved by the Board) with the Company's registrars, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the meeting, or in the event of an adjournment, not less than 48 hours before the time of the adjournment. Forms of proxy may not be submitted via the Company's website or via any email address set out on the Company's website.
9. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders. For this pur pose, seniority shall be determined by the order in which the names of such holders stand in the register of members in respect of the joint holding.
10. The 'vote withheld' option is provided to enable you to instruct your proxy not to vote on any particular resolution. However, a 'vote withheld' is not a vote in law and will not be counted in the calculation of votes 'for' and 'against' a resolution. Failing to mark any box in respect of a resolution will mean your proxy can vote as he or she wishes or can decide not to vote at all.
11. Any amendments made to this form of proxy must be initialled be the person who signs it.
12. As an alternative to completing your hard copy Form of Proxy, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic appointment to be valid, your appointment must be received no later than 1.00 p.m. on 23 June 2014.

Business Reply Plus
Licence Number
RLUB-TBUX-EGUC

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PXS 1
34 Beckenham Road
BECKENHAM
BR3 4ZF