fitbug holdings plc

Annual Report 2015

Contents

Chairman & Chief Executive Statement

2015 was a year of new direction for Fitbug.

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

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

Importantly, we believe we have identified a significant target market for our wellness technology: corporate wellness, where we are seeing a significant demand from organisations seeking to use technology to effectively engage their employees in all aspects of wellness. Having a healthier, happier, fitter workforce not only benefits the individual employees but can lead to increased productivity and reduced absenteeism.

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

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

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

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

Financial Summary

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

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

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

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

The Group raised £1,015,000 during the period by issuing further equity in August 2015. It also secured £1,300,000 in new loan agreements with NW1 Investments, comprising £650,000 in August and £650,000 in December 2015, at an interest rate commencing in January 2016 of 2.5% above the Bank of England’s base lending rate, payable quarterly in arrears.

The Recovery Plan

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

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

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

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

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

A Fresh Line-Up

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

In late May 2015, the company’s Finance Director Andrew Brummer resigned. As noted above, Anna Gudmundson was appointed Chief

Chairman & Chief Executive Statement

- continued

Executive at the end of August 2015. In early September, after four years of service, Executive Chairman Fergus Kee stepped down from the board and Ann Jones, Sales Director, left the business in October 2015.

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

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

Fundraising

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

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

Outlook

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

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

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

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

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

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

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

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

Current Directors

Donald Stewart
Chairman
Aged 52 and appointed in November 2015, Donald is a solicitor with over 25 years' experience in corporate finance, mergers and acquisitions and related corporate, insolvency and regulatory issues. He is a director (and past chairman) of the Quoted Companies Alliance, the UK not-for-profit organisation dedicated to promoting the cause of smaller quoted companies. He is also a non-executive director of Bagir Holdings Limited. Between April 2013 and July 2015 he was on the board of Progility Plc and, before that had been a corporate partner in the London office of a global law firm.

Anna Gudmundson
Director, Chief Executive of Fitbug Holdings plc
Aged 38, Anna was appointed in August 2015, having been a part time consultant with the company. Prior to joining Fitbug she ran her own Product consultancy focused on the mobile, software, online products, and big data sectors where she advised on product and business related matters such as positioning, price models, technology, process, team, and consumer behaviour, having been Head of Services at Vertu following experience gained at Lucent technologies, Alcatel Lucent, AdIQ and MePlease, Anna brings over 10 years of management experience in the technology sector specialising in digital services and ranging from start-ups to blue chip companies.

David Turner
Non-Executive Director
Aged 70, David trained as a surveyor and 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 73, Allan trained as an accountant and held various finance related positions before founding Holmes Place plc, of which he was Chief Executive when it floated in 1997. He is Chairman of Holmes Place Eastern Mediterranean.

Dr Mark Ollila, MBA
Non-Executive Director
Aged 46, Mark was appointed in January 2016. Based in San Diego, he is currently Chief of Staff and General Manager of the Innovation and New Products group at Verve Mobile. Prior to this he was at Nokia where he held a variety of senior roles. An industry leader in mobile media and technology, Mark is a member of Southern California's start-up incubator EvoNexus's selection committee and an expert in residence at UC Irvine's Institute for Applied Innovation. He also serves as an advisor to multiple companies in entertainment, games and new technology.

Advisers

Secretary
Filex Services Limited
No.1 London Bridge
London SE1 9BG

Registered Office
Suite 5, 1st Floor,
5 Rochester Mews,
London NW1 9JB

Company Number
4466195

Website
www.fitbugholdings.com

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen B63 3DA

Auditors
Hazlewoods LLP
Windsor House
Bayshill Road
Cheltenham GL50 3AT

Solicitors
Hewitson Moorhead
3 Dorset Rise
London EC4Y 8EN

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

Joint Broker
Hybridan LLP
20 Ironmonger Lane
London EC2V 8EP

Report of the Directors

for the year ended 31 December 2015

The directors present their report together with the audited financial statements for the year ended 31 December 2015.

Results and dividends

The results of the Group for the year ended 31 December 2015 are set out on page 14 and show a loss for the period of £6,303,000 (2014: £3,761,000). The directors do not recommend the payment of a dividend (2014 - £nil).

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 22 of the financial statements.

Substantial shareholders

On 31st December 2015 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
Kifin Limited /Pershing Nominees Limited	30,000,000	10.66%
Hargreaves Lansdown (Nominees) Limited	30,759,097	10.93%
TD Direct Investing Nominees (Europe) Limited	27,038,919	9.61%
Barclayshare Nominees Limited	23,328,358	8.29%
HSDL Nominees Limited	20,411,038	7.25%
NW1 Investment Ltd	14,000,000	4.97%
HSBC Global Custody Nominee (Uk) Limited	13,738,488	4.88%
Hargreave Hale Nominees Limited	12,588,367	4.47%
D Turner	12,514,999	4.45%
A Fisher	10,890,000	3.87%
Investor Nominees Limited	9,591,227	3.41%
P E Landau Esq	8,788,894	3.12%
Share Nominees Ltd	8,631,872	3.07%

No other person has reported an interest of 3% or more in the Company's ordinary shares. Kifin Limited has a convertible loan note which can be converted into 33,333,334 ordinary shares in Fitbug Holdings plc.

Directors

The directors who held office during the year were as follows:

		Appointed	Retired
F A Kee	Executive		4 September 2015
P E Landau	Executive		31 December 2015
A J Brummer	Executive		27 May 2015
A Jones	Executive		19 October 2015
D Turner	Non-Exeuctive		
A B H Fisher	Non-Executive		
A Gudmundson	Executive	27 August 2015	
D Stewart	Non-Executive	30 November 2015	

Since the period end Dr Mark Ollila was appointed to the Board on 11 January 2016 as an additional non-executive director.

A Gudmundson, D Stewart and M Ollila, all having been appointed since the 2015 Annual General Meeting offer themselves for election at the forthcoming Annual General Meeting.

During the year the Board was chaired by Fergus Kee until 4 September 2015, jointly by David Turner and Allan Fisher from 4 September until 30 November 2015 and by Donald Stewart from 30 November 2015. Paul Landau was Chief Executive of Fitbug Limited and a Director of the Company throughout the period, stepping down at the end of the period. Anna Gudmundson was appointed Chief Executive of the Company on 27 August 2015. Andrew Brummer was Finance Director until 27 May 2015. Ann Jones was Marketing Director until 19 October 2015. Both David Turner and Allan Fisher were non-exeutive directors throughout the period.

Corporate Governance

Statement of compliance
As a company quoted on the Alternative Investment Market (AIM) of the London Stock Exchange, the Company is not required to comply with the UK Corporate Governance Code. However, the Board is committed to achieving high standards of corporate governance and the Group uses the requirements of the UK Corporate Governance Code as an indicator of best practice. The Directors are committed to ensuring appropriate standards of Corporate Governance are maintained by the Group and this statement sets out how the Board has applied those requirements in its management of the business during the year ended 31 December 2015.

The Board recognises its collective responsibility for the long term success of the Group. It assesses business opportunities and seeks to ensure that appropriate controls are in place to assess and manage risk. The Board agrees and monitors the progress of a variety of Group activities. These include strategy, business plan and budgets, acquisitions, major capital expenditure and consideration of significant financial and operational matters. The Board also monitors the exposure to key business risks and considers legislative, environmental, employment, quality and health and safety issues.

During a normal year there is a minimum of ten scheduled Board meetings with other meetings being arranged at shorter notice as necessary. During the period, there were 17 meetings of which 11 were fully attended, and 6 with a quorum. The Board agenda is set by the Chairman in consultation with the other Directors. The Board has a schedule of matters reserved to it for decision.

Under the provisions of the Company's Articles of Association all Directors are required to offer themselves for re-election at least once every three years. In addition, under the Articles, any Director appointed during the year will stand for election at the next following annual general meeting, ensuring that each Board member faces re-election at regular intervals.

All of the Directors have access to the advice and services of the Company's legal counsel.

Board Committees
The Board has two principal standing committees: the Audit Committee and the Remuneration Committee, each with specific terms of reference.

Audit Committee
During the period the Audit Committee comprised Fergus Kee (until 4 September 2015), Donald Stewart (from 30 November 2015), Allan Fisher and David Turner and was chaired by Fergus Kee (until 4 September 2015), by Allan Fisher (from 5 September 2015 until 30 November 2015) and Donald Stewart (from 30 November 2015). It currently comprises Donald Stewart and Mark Ollila. It meets a minimum of twice a year, has written terms of reference and its remit is to review the annual and interim accounts and the appropriateness of accounting policies, to review the internal controls and financial reporting, and to make recommendations on these matters to the Board. It also considers the appointment and fees of the external auditor, the resulting auditor reports and discusses the action taken on problem areas identified by Board members or in external audit reports. The Chairman of the Audit Committee reports the outcome of the Audit Committee meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

Remuneration Committee
The Remuneration Committee, which during the period comprised Fergus Kee (until 4 September 2015), Donald Stewart (from 30 November 2015), David Turner and Allan Fisher and was chaired by David Turner. It currently comprises Donald Stewart and Mark Ollila. It meets a minimum of twice a year. Its remit is to assess the performance of the Executive Directors and to consider and make recommendations to the Board on remuneration policy for Executive Directors and Senior Managers of the required calibre.

Report of the Board of Directors on remuneration
During the year the Remuneration Committee comprised Fergus Kee (until 4 September 2015), Donald Stewart (from 30 November 2015), David Turner and Allan Fisher and was chaired by David Turner. The terms of reference of the committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive and operational Directors, including any proposed allocations of share options under the Company's share options schemes and other benefits. The remuneration of the Non-Executive Directors is fixed by the Board as a whole. In framing its remuneration policy, the Remuneration Committee has given full consideration to the matters set out in the UK Corporate Governance Code.

Remuneration Policy
The Remuneration Committee has been actively involved in assessing salary levels for Directors and implementing the Company's share option schemes. The remuneration policy is determined by a number of factors including individual performance, the need to attract, motivate and retain Directors and remuneration levels in comparative companies.

Remuneration
The amounts of remuneration for each Director are in note 7 below. These include basic salary, bonus and the estimated monetary value of benefits in kind.

Report of the Directors - continued

Directors interests
The beneficial interests of the directors of the Company 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 2015		31 December 2014	
	Options	Shares	Options	Shares
F A Kee	-	2,416,667	4,500,000	22,916,667
P E Landau	4,500,000	8,788,894	8,750,000	8,788,894
A J Brummer	-	-	2,000,000	-
A Jones	-	-	2,000,000	-
D Turner	-	12,514,999	-	12,515,000
A B H Fisher	-	10,890,000	-	10,890,000
A Gudmundson	-	-	-	-
D Stewart	-	-	-	-

Persons connected with David Turner have an interest in 6,290,000 ordinary shares representing 2.23% of the issued share capital of the Company.

Persons connected with Allan Fisher have an interest in 6,280,000 ordinary shares representing 2.23% of the issued share capital of the Company.

The market price of the shares on 31 December 2015 was 0.95p (2014: 8.625p) and the range during the financial period was 0.850p to 9.375p (2014: 0.375p to 20.00p). Details of any directors' interest in the transactions of the group are given in note 20.

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

Going concern
The directors consider that subject to the Company being able to raise sufficient funds to meet its forecast requirements for the next 12 months and taking into account expected improvements in the Group's trading, 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

Anna Gudmundson
Chief Executive
13 June 2016

Strategic Report

Principal activities, review of business and future developments
The Group's principal activity lies in developing and marketing innovative products and services in the global health and wellness sector.

In the earlier part of the reporting year, the Company focused on a retail strategy, taking the Group's products and services to consumers via direct sales and through major retailers in the UK and US. Although Fitbug committed a substantial investment to this strategy, it was not successful and significant volumes of stock were returned.

The Group took decisive action to arrest a deteriorating situation. In August 2015 Anna Gudmundson was appointed Chief Executive and, over the remainder of the period, a fresh board and management team came into post, its members chosen for their respective skills in technology, product development, implementation and significant B2B and public company experience.

This evolution has resulted in a refocused strategy, moving away from retail channels in order to leverage the Group's established B2B network. The objective is simply explained: to reposition the Group from being a supplier of cost-effective fitness trackers into a rounded technology solutions player, providing effective digital technologies that help people improve their general health and wellbeing.

We see two principal advantages to this repositioning. It has the potential to deliver higher yields through providing long-term, repeated services as opposed to initial hardware sales alone. In addition, this B2B focus will result in significantly lower customer acquisition costs and inventory exposure.

With this goal in mind the Group has created a dedicated B2B sales team with a strong track record. We are also targeting faster routes to market by deepening our alliances with our strategic partners.

In South-East Asia we have secured a partnership with Willis Towers Watson, the risk management and human resource consulting professional services company.

In the UK, we are working with Punter Southall, leading actuaries and actuarial consultants specialising in advice for company pensions, pension trustees and employee benefits. Both strategic partners have shown that there's a clear value and demand for Fitbug's digital wellness proposition among major clients and are working with us to introduce the Group's products and services to their wider customer base.

At 31 December 2015, the Group's total liabilities exceeded its total assets by £8,261,000. During the period the Group signed loan agreements for £1,300,000 with NW1 Investments Limited ('NW1') at an interest rate of 2.5% per annum above base lending rate of the Bank of England. These funds will be used to support business development and to market our products.

Key Performance Indicators
In monitoring the performance of the business, the executive management team uses a number of KPIs including:

- Sales, sales conversion and sales cycle time;
- Cash flow and cash conversion cycle;
- Customer engagement statistics;
- Customer profitability; and
- Customer service response time, first response resolution percentage and support rating from our customers

For forward looking performance measurement, the Board monitors the various current engagements with new business prospects, and the level and speed of their progress.

Principal risks and uncertainties
The board places a high emphasis on being risk-aware. We continuously track risks and uncertainties that can impact the performance of Fitbug, some of which are beyond the control of the Group. These are reviewed at monthly board meetings where the Group's performance is assessed against budget, forecast and prior year, and key performance indicators are used to benchmark the Group's performance. This enables the board to determine and mitigate the Group's risk environment, which includes:

Commercial risks
Demand for Fitbug's products and services in the B2B sector depends on the demand for health and wellness products by medium and large sized employers. In turn, this is driven by a variety of geographic, political and socio-economic factors. For example, there is currently a high demand in the USA for products such as Fitbug, where there is widespread awareness and acceptance of wearable trackers, and a recognition of high levels of obesity and economic pressures to reduce health insurance premiums. Over time, these drivers of local market conditions will change.

Also, the market for products and services in the health and wellness sector is highly competitive. Behind this lies several factors, including the number of competitors; the availability of stock; the development of new features and functionality in the Group's digital services; and the availability of alternative products.

Against this backdrop, Fitbug looks to mitigate impacts on sales by ensuring low-cost stock acquisition, continuous investment in developing high-performing, innovative products, as well as supporting customers with high-quality aftersales service and short delivery times.

IT Systems
The Group relies heavily on high-performing, uninterrupted internet and IT resources. Our business model is predicated on the complex integration of a variety of wearable trackers, the Group's website, our software platform and Kiqplan. This means that operational problems such as server or system failures, network downtime, software performance issues or power outages could result in users being unable to access the Group's online services. In turn, this may result in reputational loss.

Intellectual Property
The Group's business, IT systems, bespoke software and intellectual property are not protected by patents or registered design rights. This means that the Group cannot inhibit competitors from entering the same market if they develop similar technology independently.

Human Resources
The Group relies on its key management and staff to operate and expand its business. Our ability to recruit, retain and motivate suitably qualified and experienced staff is central to our future success. There

Principal risks and uncertainties (continued)

is strong competition for talent our sector, so we prioritise the need to provide high-quality roles, a stimulating environment and exciting career paths.

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

Liquidity risks
The Group monitors cash flow as part of its day to day control procedures. The board regularly assesses cash flow projections and ensures that appropriate resources are available to be drawn on, as necessary.

To manage the working capital needs of the business, and to finance our growth plans, the Group relies on being able to arrange and maintain sufficient financing, and to comply with applicable conditions of relevant facilities once established.

Foreign exchange risk
Foreign exchange rates have seen a period of volatility, due to economic uncertainty and differing economic performances in different parts of the world. The Group operates a centralised treasury model to mitigate foreign exchange risk. However The Group remains exposed to currencies that may depreciate against sterling in the future. In addition, fluctuations in interest rates will impact the finance costs of the business.

Research and development
Fitbug has undertaken a substantial development programme to fully integrate its range of online and mobile digital health products. Through the Kiqplan platform, Fitbug is able to provide its customers with instant access to their personalised health and wellness programme. In a highly competitive sector, we recognise the need to continuously update and refine our existing offerings, and commit resources for R&D into innovative products and services.

Employment without discrimination
The Group is committed to employ on the basis of aptitude and ability. We hire and promote our people regardless of gender, orientation, origin, creed, disability or any other inappropriate discrimination.

Employee communication and involvement
The flow of information to staff is maintained by frequent meetings between executive management and staff. Members of the management team regularly discuss matters of current interest and concern to the business with members of staff.

Environmental and social
It is natural that our business, in promoting fitness and wellness, should start with our staff. Every day, we promote the values of personal health, being active and, by extension, less reliance on transport.

In our day to day business, we commit to comply with all applicable environmental laws, and the direct impact of our operations is low. We also look to tread lightly through good housekeeping practices such as reducing energy consumption, using sustainable resources and recycling waste.

Directors, senior managers and employees
At 31 December 2015, there were three male directors and one female director of the Company. Of the 29 employees at the end of the year, 14 were male and 15 were female.

Outlook
The board is encouraged by the Group's start to trading in 2016 with Q1 sales in the B2B sector significantly increased over the previous year. We were particularly pleased with Fitbug's announcement in March 2016 of the rollout of the Group's digital wellness solution with four customers of Punter Southall, and Fitbug's deepening relationship with this strategic partner. In addition, the directors believe that Fitbug has a significant pipeline of potential B2B business.

As a result, the board is confident that, subject to the successful completion of the Group's proposed financing, Fitbug is well positioned in 2016 participate in the growing demand for corporate health and wellness programmes, particularly in South-East Asia, South Africa and the UK.

Approved by the Board of Directors and signed on its behalf by

Anna Gudmundson
Chief Executive
13 June 2016

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 and parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable United Kingdom 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 and parent company financial statements have been prepared in accordance with IFRSs as adopted by the European Union; 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 2015 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 and Parent Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Scope of the audit and financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended.
- the Group and Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 £6,303,000 during the year ended 31 December 2015 and, at that date, the Group's total liabilities exceeded its total assets by £8,153,000. The Company intends to raise new funds in new equity and restructure the balance sheet through the conversion of debt to equity and the restructuring of share capital. Additionally the forecasts prepared by the Company assume a significant growth in revenues for the current financial year and a reduction in costs sufficient to enable the Group to continue trading within its forecast financial resources. We are unable to assess however whether the new funds and balance sheet restructuring will occur and whether the forecasts can be achieved to enable sufficient working capital required in July 2016 when loans of £500,000 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditors' Report to the Shareholders of Fitbug Holdings plc

- continued

Matters on which we are required to report by exception

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

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

Scott Lawrence (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Windsor House
Bayshill Road
Cheltenham
GL50 3AT

13 June 2016

Company number: 4466195

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

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

The notes on pages 18 to 35 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
1 January 2014	**1,685**	**1,034**	**(6,159)**	**(3,440)**
Loss and total comprehensive income for the year	-	-	(3,761)	(3,761)
Issue of shares for cash	723	3,287	-	4,010
Costs of raising funds	-	(177)	-	(177)
Share-based payment	-	-	67	67
31 December 2014	**2,408**	**4,144**	**(9,853)**	**(3,301)**
Loss and total comprehensive income for the year	-	-	(6,303)	(6,303)
Issue of shares for cash	407	609	-	1,016
Costs of raising funds	-	(38)	-	(38)
Share-based payment	-	-	473	473
31 December 2015	**2,815**	**4,715**	**(15,683)**	**(8,153)**

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 18 to 35 are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position

as at 31 December 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Intangible assets	11	**-**	471
Property, plant and equipment	12	**29**	16
		29	487
Current assets			
Inventories	13	**577**	1,262
Trade and other receivables	14	**751**	858
Cash and cash equivalents	15	**698**	3,425
		2,026	5,545
Total assets		**2,055**	6,032
Liabilities			
Non-current liabilities			
Borrowings	16	**8,739**	6,939
		8,739	6,939
Current liabilities			
Trade and other payables	17	**894**	1,319
Borrowings	16	**575**	1,075
		1,469	2,394
Total liabilities		**10,208**	9,333
Net liabilities		**(8,153)**	(3,301)
Capital and reserves attributable to equity holders of the Company			
Share capital	18	**2,815**	2,408
Share premium	18	**4,715**	4,144
Retained deficit		**(15,683)**	(9,853)
Total equity		**(8,153)**	(3,301)

The financial statements on pages 14 to 35 were approved and authorised for issue by the Board of Directors in 2016 and signed on their behalf by:

Anna Gudmundson
Director and CEO of Fitbug Holdings PLC
13 June 2016

The notes on pages 18 to 35 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Loss after taxation		**(6,303)**	(3,761)
Adjustments for:			
- Depreciation and amortisation		**82**	79
- Share-based payments		**473**	67
- Fx gain loss		**(74)**	-
- Fx adjustment on consolidation		**(66)**	-
- Finance income		**(2)**	(1)
- Finance expense		**5**	351
- Returns provision		**216**	-
- Write off of development costs		**569**	-
- Impairment of stock		**736**	-
Cash flows from operating activities before changes in working capital and provisions		**(4,364)**	(3,265)
Increase in inventories		**206**	(539)
Increase in trade and other receivables		**95**	(545)
Increase in trade and other payables		**(797)**	752
Net cash used in operations		**(4,860)**	(3,597)
Cash flow from investing activities			
Purchase of property, plant and equipment		**26**	(13)
Development costs capitalised		**(167)**	(419)
Finance income		**2**	1
Net cash used in investing activities		**(139)**	(431)
Cash flow from financing activities			
Issue of ordinary shares for cash		**1,015**	3,510
Costs directly related to issue of shares		**(38)**	(177)
Loan advances		**1,300**	4,350
Loan repayments		**-**	(18)
Finance expense		**(5)**	(351)
Net cash generated from financing activities		**2,272**	7,314
Net increase/(decrease) in cash and cash equivalents		**(2,727)**	3,286
Cash and cash equivalents at beginning of year		**3,425**	139
Cash and cash equivalents at end of year		**698**	3,425

The notes on pages 18 to 35 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

The registered number of the Company is 04466195.

2. Basis of preparation and significant accounting policies

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

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

The Parent Company has elected to adopt IFRSs for the first time in the current year, having previously reported under United Kingdom Generally Accepted Accounting Principles (UK GAAP) and its separate financial statements may be found commencing on page 36.

Going concern

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

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

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

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

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

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

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.

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

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

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

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

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

Debt for equity swaps

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

3. Critical accounting estimates and judgements

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

Recognition of assets in respect of product development

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

Share-based payments

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

4. Loss per share

Loss per share

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

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

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

5. Loss for the year

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

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

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

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

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

Revenue by geographical area:

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

6. Staff costs

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

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

	2015 Number	2014 Number
Administration	**5**	7
Development	**9**	8
Sales	**6**	5
Support and project management	**7**	5
	27	25

7. Directors' remuneration

The remuneration for the directors was as follows:

	2015 £'000	2014 £'000
Emoluments	**418**	584

Highest paid director:

	2015 £'000	2014 £'000
Emoluments	**123**	134

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

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

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

	Salary & fees £'000	Share based payments £'000	Benefits in kind £'000	Total 2015 £'000	Total 2014 £'000
Executive directors					
Donald Stewart	7	-	-	7	-
Anna Gudmundson	60	-	-	60	-
Fergus Kee	34	-	-	34	88
Malcolm Fried	-	-	-	-	125
Paul Landau	121	365	2	488	134
Andrew Brummer	60	-	2	62	90
Ann Jones	114	-	2	116	106
Non-executive directors					
David Turner	7	-	2	9	28
Allan Fisher	7	-	2	9	11
Geoffrey Simmonds	-	-	-	-	4
Total	410	365	10	785	586

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

8. Auditors' remuneration

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

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

9. Finance income and expense

	2015 £'000	2014 £'000
Bank interest receivable	**2**	1
Total finance income	**2**	1
Interest payable on Directors' loan	**-**	(6)
Interest payable on loan from major shareholder	**(5)**	(345)
Total finance expense	**(5)**	(351)

10. Taxation

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

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

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

Subject to the agreement of HM Revenue and Customs, the Group has UK tax losses of approximately £17,230,000 (2014: £11,587,000) and US tax losses of approximately £1,525,000 (2014: £1,159,000) to carry forward against future taxable profits. No deferred tax asset has been recognised in relation to the trading losses available for offset against future taxable profits. The Group and the Company have not recognised a deferred tax asset due to there being insufficient evidence of short term recoverability.

11. Intangible assets

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

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

12. Property, plant and equipment

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

13. Inventories

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

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

14. Trade and other receivables

	2015 £'000	2014 £'000
Current Assets		
Trade receivables	**188**	416
Less: provision for impairment of trade receivables	**-**	(4)
Provision for credit notes	**(12)**	-
	176	412
Employee loans	**-**	5
Prepayments and accrued income	**294**	291
Income tax receivable	**227**	-
Other taxes and social security	**-**	48
Other debtors	**54**	102
	751	858

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

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

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

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

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

	2015 £'000	2014 £'000
Balance at the start of the year	4	-
Provision for receivables impairment	-	30
Provision for credit notes	12	-
Receivables written off during the year as uncollectible	(4)	(26)
At 31 December 2015	**12**	4

14. Trade and other receivables (continued)

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

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

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

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

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

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

15. Cash and cash equivalents

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

The Group's cash and cash equivalents are held primarily in Sterling and US Dollars as disclosed in note 22.

16. Borrowings

	2015	2014
	£'000	£'000
Current liabilities		
Convertible Loan	**500**	500
Other Loan	**-**	500
Directors' loans	**75**	75
	575	1,075
Non-current liabilities		
Shareholder loans	**8,239**	6,939
Other Loan	**500**	-
	8,739	6,939
	9,314	8,014

Directors' loans

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

Shareholder loan

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

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

Convertible loan

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

Other loans

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

The maturity analysis of the loans is as follows:

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

17. Trade and other payables

Current

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

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

18. Share capital and share premium

Allotted, called up and fully paid

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

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

19. Share-based payment

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

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

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

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

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

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

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

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

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

20. Related party transactions

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

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

21. Operating lease commitments

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

Payments recognised as an expense

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

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

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

22. Financial instruments

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

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

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

Principal financial instruments

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

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

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

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

General objectives, policies and processes

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

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

22. 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 14.

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

Liquidity risk

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

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

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

Interest rate risk and fair value risk

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

Capital

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

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

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

Currency risk

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

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

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

Company Balance Sheet

As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	-	-
Investments	6	**1,171**	1,171
		1,171	1,171
Current assets			
Trade and other receivables	7	**72**	84
Cash and cash equivalents		**456**	3,332
		528	3,416
Total assets		**1,699**	4,587
Liabilities			
Non-current liabilities			
Borrowings	8	**8,739**	6,939
		8,739	6,939
Current liabilities			
Trade and other payables	9	**50**	312
Borrowings	8	**575**	1,075
		625	1,387
Total liabilities		**9,364**	8,326
Net liabilities		**(7,665)**	(3,739)
Capital and reserves attributable to equity holders of the Company			
Share capital		**2,815**	2,408
Share premium		**4,715**	4,144
Retained deficit		**(15,195)**	(10,291)
Total equity		**(7,665)**	(3,739)

The financial statements on pages 36 to 46 were approved and authorised for issue by the Board of Directors in 2016 and signed on their behalf by:

Anna Gudmundson
Chief Executive
13 June 2016

The notes on pages 39 to 46 are an integral part of these consolidated financial statements.

Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
1 January 2014	**1,685**	**1,034**	**(5,759)**	**(3,040)**
Loss and total comprehensive income for the year	-	-	(4,599)	(4,599)
Issue of shares for cash	723	3,287	-	4,010
Costs of raising funds	-	(177)	-	(177)
Share-based payment	-	-	67	67
31 December 2014	**2,408**	**4,144**	**(10,291)**	**(3,739)**
Loss and total comprehensive income for the year	-	-	(5,377)	(5,377)
Issue of shares for cash	407	609	-	1,016
Costs of raising funds	-	(38)	-	(38)
Share-based payment	-	-	473	473
31 December 2015	**2,815**	**4,715**	**(15,195)**	**(7,665)**

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 39 to 46 are an integral part of these consolidated financial statements.

Statement of Cash Flows

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Loss after taxation		**(5,377)**	(4,599)
Adjustments for:			
- Share-based payments		**473**	67
- Finance income		**(2)**	-
- Finance expense		**5**	1
Cash flows from operating activities before changes in working capital and provisions		**(4,901)**	(4,531)
Increase in trade and other receivables		**12**	(53)
Increase in trade and other payables		**(261)**	142
Net cash used in operations		**(5,150)**	(4,442)
Cash flow from investing activities			
Finance income		**2**	-
Net cash used in investing activities		**2**	-
Cash flow from financing activities			
Issue of ordinary shares for cash		**1,015**	4,010
Costs directly related to issue of shares		**(38)**	(177)
Loan advances		**1,300**	3,832
Finance expense		**(5)**	(1)
Net cash generated from financing activities		**2,272**	7,664
Net increase/(decrease) in cash and cash equivalents		**(2,876)**	3,222
Cash and cash equivalents at beginning of year		**3,332**	110
Cash and cash equivalents at end of year		**456**	3,332

The notes on pages 39 to 46 are an integral part of these consolidated financial statements.

Notes to the Company Financial Statements

For the year ended 31 December 2015

1. Significant accounting policies

General information, basis of preparation and significant accounting policies
General information and accounting policies are the same as those disclosed in notes 1 and 2 to the consolidated financial statements except as noted below.

First time adoption of IFRS
These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with applicable UK accounting standards (UK Generally Accepted Accounting Practice).

Accordingly the Company has prepared financial statements which comply with IFRS applicable on or after 31 December 2015, together with the comparative period as at and for the year ended 31 December 2014, as described in the accounting policies. In preparing these financial statements the Company's opening statement of financial position was prepared as at 1 January 2014, the Company's date of transition to IFRS.

There were no material adjustments made in restating the Company UK GAAP statement of financial position as at 1 January 2014 and its previously published UK GAAP financial statements as at and for the year ended 31 December 2014. Accordingly no reconcilliation or equity nor reconciliation of total comprehensive income is presented.

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.

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 £5,377,000 for the year ended 31 December 2015 (2014: £4,599,000).

The auditors' remuneration for audit services to the Company was £19,000 (2014: £14,250). Auditors' remuneration for non-audit services (taxation compliance) to the company was £4,000 (2014: £4,000). See note 8 to the consolidated financial statement for full details of auditors' remuneration.

Notes to the Company Financial Statements

For the year ended 31 December 2015

Segment information

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

3. Employees

	2015 £'000	2014 £'000
Staff costs consist of:		
Wages and salaries	**65**	225
Social security costs	**7**	24
Share based payments	**-**	67
Total	**72**	316

The average number of employees during the year was as follows:	**Number**	Number
Full time	**3**	3

4. Directors' remuneration

See note 7 to the consolidated financial statements for full details.

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

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

	2015 £'000	2014 £'000
Loss before tax	**(5,377)**	(4,599)
Loss at the applicable rate of corporation tax in the UK 20.0% (2014: 21.5%)	**(1,075)**	(959)
Effects of:		
Expenses not deductible and income not taxable for tax purposes	**(1,021)**	(901)
Tax losses carried forward	54	88
Income tax credit for the year	**-**	-

Subject to the agreement of HM Revenue and Customs, the Company has UK tax losses of approximately £2,780,000 (2014: £2,550,000) 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.

5. Fixed assets

	Plant and equipment £'000
Cost	
At 1 January 2015 and 31 December 2015	12
Depreciation	
At 1 January 2015 and 31 December 2015	12
Net book value at 31 December 2015	**-**
Net book value at 31 December 2014	-

6. Fixed asset investments

	Subsidiary undertakings £'000
Cost and net book value	
At 1 January 2015 and 31 December 2015	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.

7. Trade and other receivables

	2015 £'000	2014 £'000
Trade debtors	**2**	2
Taxation and social security	**-**	7
Other debtors	**70**	75
	72	84

Notes to the Company Financial Statements

For the year ended 31 December 2015

8. Borrowings

	2015 £'000	2014 £'000
Current liabilities		
Convertible Loan	**500**	500
Other Loan	**-**	500
Directors' loans	**75**	75
	575	1,075
Non-current liabilities		
Shareholder loans	**8,239**	6,939
Other Loan	**500**	-
	8,739	6,939
	9,314	8,014

Directors' loans

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

Shareholder loan

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

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

Convertible loan

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

Other loans

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

9. Trade and other payables

	2015 £'000	2014 £'000
Trade creditors	**17**	41
Taxation and social security	**1**	2
Accruals and deferred income	**32**	269
	50	312

10. Financial 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 22 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 2014	240,850,530		2,408	4,144
August 2015 - issue of shares for cash	40,600,000	2.5p	407	571
At 31 December 2015	281,450,530		2,815	4,715

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

Refer to note 19 in the Group financial statements for full details.

13. Financial instruments

In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company'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 Company'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 Company, from which financial instrument risk arises, are as follows:

	Loans and receivables	
	2015	2014
	£'000	£'000
Current financial assets		
Trade and other receivables	**72**	84
Cash and cash equivalents	**456**	3,332
Total current financial assets	**528**	3,416

	Financial liabilities measured at amortised cost	
	2015	2014
	£'000	£'000
Current financial liabilities		
Trade and other payables	**50**	312
Borrowings	**575**	1,075
	625	1,387
Non-current financial liabilities		
Long term borrowings	**8,739**	6,939
Total financial liabilities	**9,364**	8,326

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 Company'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 Company'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 Company's competitiveness and flexibility. Further details regarding these policies are set out below:

13. Financial instruments (continued)

Credit risk

Credit risk arises principally from the Company'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 Company's credit risk is disclosed in note 14.

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

Liquidity risk

The Company'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 Company 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 Company'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 Company 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 Company's financial instruments are due for repayment in more than one year (see note 16).

Interest rate risk and fair value risk

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

Capital

The Company considers its capital to comprise its ordinary share capital, share premium and retained deficit as its equity capital. In managing its capital, the Company's primary objective is to provide a return for its equity shareholders through capital growth and future dividend income. Going forward the Company 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 Company 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 Company considers not only its short-term position but also its long-term operational and strategic objectives. At 31 December 2015 all of the Company'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 Company capital are disclosed in the Statement of Changes in Equity.

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

Currency risk

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

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

	2015 Sterling £'000	2014 Sterling £'000
Trade and other receivables	**72**	84
Cash and cash equivalents	**456**	3,332
Trade and other payables	**50**	312
Borrowings	**9,314**	8,014

Notes to the Company Financial Statements

For the year ended 31 December 2015

14. Commitments under operating leases

At 31 December 2015, the Company was committed to making the following payments under non-cancellable operating leases in the year ending 31 December 2015:

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

15. Related party transactions

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

At the year end the group owed D Turner £25,000 (2014: £25,000) and A Fisher £50,000 (2014: £50,000). Interest of £0 (2014: £2,000) and £0 (2014: £4,000) was payable on the loan from D Turner and A Fisher respectively. Interest for the loans was agreed to be waived during the year. It will recommence from 1 January 2016 and will accrue at a rate of 8% 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 16 to the consolidated financial statements.

Notice of Annual General Meeting

Fitbug Holdings plc, Company Number: 04466195

NOTICE IS HEREBY GIVEN that the annual general meeting of Fitbug Holdings plc ("the Company") will be held at Suite 5, 1st Floor, 5 Rochester Mews, London NW1 9JB on 22 July 2016 at 3.00 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 2015.

2. To appoint Anna Gudmundson as a Director of the Company who, having been appointed as a director since the conclusion of the Annual General Meeting of the Company held in 2015, being eligible offers herself for re-election in accordance with Article 21.2 of the Company's Articles of Association.

3. To appoint Donald Stewart as a Director of the Company who, having been appointed as a director since the conclusion of the Annual General Meeting of the Company held in 2015, being eligible offers himself for re-election in accordance with Article 21.2 of the Company's Articles of Association.

4. To appoint Mark Ollila as a Director of the Company who, having been appointed as a director since the conclusion of the Annual General Meeting of the Company held in 2015, being eligible offers himself for re-election in accordance with Article 21.2 of the Company's Articles of Association.

5. To appoint Tyler Tarr as a Director of the Company who, having been appointed as a director since the conclusion of the Annual General Meeting of the Company held in 2015, being eligible offers himself for re-election 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.

Special Business

As special business to consider and, if thought fit, pass Resolution numbered 7 which will be proposed as an Ordinary Resolution and Resolution numbered 8 which will be proposed as a Special Resolution:

7. THAT, in substitution for any existing and unexercised authorities, the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (as amended) ("the Act") to exercise all the powers of the Company to allot relevant securities, within the meaning of section 560 (1) of the Act, up to a maximum nominal amount of £915,000, 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 (unless previously renewed, varied or revoked by the Company in general meeting) save that the Company may prior to the expiry of such period make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to relevant securities pursuant to any such offer or agreement as if this authority had not expired.

8. THAT, subject to and conditionally upon the passing of Resolution 7 above, in substitution for any existing and unexercised authorities, the Directors be and they are hereby empowered pursuant to section 570 of the Act and section 573 of the Act to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the authority conferred on them by Resolution 6 above or by way of a sale of treasury shares 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 of members at such record dates as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective holdings of such equity securities held or deemed to be held by them on any such record dates (which shall include the allotment of equity securities to any underwriter in respect of such issue or offer) or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever); and

   (ii) the allotment of equity securities to any person or persons (otherwise than pursuant to sub-paragraph (i) of this Resolution above) up to an aggregate nominal amount of £915,000;

provided that the power conferred 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 (unless previously renewed, varied or revoked by the Company in general meeting), save that 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 shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred hereby had not expired. This Resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the Act did not apply but is without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By order of the Board

Filex Services Limited
Company Secretary

Registered office:
Suite 5, 1st Floor
5 Rochester Mews
London NW1 9JB

Dated 29 June 2016

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed for your use if desired. To be valid, your proxy form and any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must reach the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA not less than 48 hours (excluding any part of a day that is not a working day) before the time of holding of the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders of the Company on the register of members of the Company 48 hours (excluding any part of a day that is not a working day) before the time set for the meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA.
6. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("EUI") and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 7RA11) by 3.00 p.m. on 20 July 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. CREST members and, where applicable, their CREST sponsors or voting services provider(s) should note that EUI does not make available special procedures in EUI for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

10. Except as provided above, members who have general queries about the meeting should contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the chairman's letter, the form of proxy and the Directors' letter and explanatory note in respect of electronic communications) to communicate with the Company for any purposes other than those expressly stated.
11. A copy of the Register of Directors' interests in shares in the Company and copies of the Directors' service contracts will be available for inspection at the registered office of the Company during business hours only on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this notice until the date of the meeting and at the place of the meeting for at least 15 minutes prior to and during the meeting.