

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or transferred all of your Ordinary Shares in Fitbug Holdings plc on or before the Record Date, you should forward this document and the accompanying forms of proxy and annual report and accounts and (in the case of Qualifying non-CREST Shareholders) the Application Form as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. Such documents should, however, not be forwarded to or transmitted into any jurisdiction outside of the UK if to do so would constitute a violation of the relevant law and/or regulations of such jurisdiction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. If you have sold or transferred only part of your registered holding of Ordinary Shares on or before the Record Date, you are advised to consult your stockbroker, bank or other agent through whom the sale or transfer was effected.

The Company's Ordinary Shares are currently admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. The New Ordinary Shares will not be admitted to trading on any other investment exchange. It is expected that, subject to, *inter alia*, the passing of the Resolutions at the General Meeting, Admission of the New Ordinary Shares will become effective and that dealings will commence on 25 July 2016.

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# **Fitbug Holdings plc**

*(Incorporated under the Companies Act 1985 with registered number 04466195)*

## **Proposed Placing of 340,800,000 New Ordinary Shares and Open Offer of up to 703,626,325 New Ordinary Shares at an Issue Price of 0.25 pence per share**

### **Proposed Loan Capitalisation**

### **Proposed approval of a waiver under Rule 9 of the City Code on Takeovers and Mergers**

### **Proposed Subdivision of the Ordinary Shares and amendment to the Articles of Association**

### **Notice of General Meeting**

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Notice convening the Annual General Meeting of the Company, to be held at Suite 5, First Floor, 5 Rochester Mews, London NW1 9JB at 3.00 p.m. on 22 July 2016 is set out at the end of the Company's Annual Report and Accounts for 2015 which accompany this document.

Notice convening a general meeting of the Company, to be held at Suite 5, First Floor, 5 Rochester Mews, London NW1 9JB at 3.05 p.m. on 22 July 2016 (or as soon thereafter as the Annual General Meeting shall have concluded or been adjourned) is set out at the end of this document.

The enclosed white and blue forms of proxy for use at the respective meetings should be completed and returned to the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible and to be valid must arrive not less than 48 hours before the time fixed for the relevant meeting. Completion and return of forms of proxy will not preclude Shareholders from attending and voting in person at the meetings should they so wish.

The total consideration under the Open Offer shall be less than €5 million (or an equivalent amount) in aggregate and the Placing Shares shall only be available to qualified investors for the purposes of the Prospectus Rules or otherwise in circumstances not resulting in an offer of transferable securities to the public under section 102B of FSMA. Neither the Placing nor the Open Offer constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the Financial Conduct Authority of the United Kingdom (“**FCA**”) pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Ordinary Shares have not been and the New Ordinary Shares will not be registered under the United States Securities Act of 1933, as amended, or under the applicable securities laws of any state of the United States or any province or territory of Canada, Japan or Australia. Accordingly, unless a relevant exemption from such requirements is available, the New Ordinary Shares may not, subject to certain exceptions, be offered, sold, taken up, re-sold or delivered, directly or indirectly, within the United States, Canada, Japan or Australia or in any other country, territory or possession where to do so may contravene local securities laws or regulations. Shareholders who believe that they, or persons on whose behalf they hold Ordinary Shares, are eligible for an exemption from such requirements should refer to paragraph 5 of Part III of this document to determine whether and how they may participate.

Overseas Shareholders and any other person (including, without limitation, nominees, custodians and trustees) who has a contractual or other legal obligation to forward this document or an Application Form to a jurisdiction outside the UK should read paragraph 5 of Part III of this document.

Qualifying non-CREST Shareholders will be issued with an Application Form. Applications in the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of the sale or transfer of Ordinary Shares prior to the date on which the relevant Ordinary Shares are marked “ex” for entitlement by the London Stock Exchange. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Open Offer. The latest time for application and payment in full under the Open Offer is 11.00 a.m. on 20 July 2016 and the procedure for application and payment is set out in Part III of this document.

Cantor Fitzgerald Europe (“**CFE**”) which is authorised and regulated in the United Kingdom by the FCA, is the Company’s nominated adviser for the purposes of the AIM Rules. CFE is not acting for any other person nor will CFE otherwise be responsible to any person for providing the protections afforded to clients of CFE, or for advising any other person in respect of the transactions described in this document. CFE’s responsibilities as the Company’s nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire New Ordinary Shares in the Company in reliance on any part of this document.

CFE has not authorised the contents of this document for any purpose and no liability whatsoever is accepted by CFE nor does it make any representation or warranty, express or implied, as to the accuracy of, any information or opinion contained in this document or for the omission of any information. CFE expressly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which might otherwise have in respect of this document.

Hybridan LLP (“**Hybridan**”) which is authorised and regulated in the United Kingdom by the FCA, is the Company’s broker for the purposes of the AIM Rules. Hybridan is not acting for any other person nor will Hybridan otherwise be responsible to any person for providing the protections afforded to clients of Hybridan, or for advising any other person in respect of the transactions described in this document.

Hybridan has not authorised the contents of this document for any purpose and no liability whatsoever is accepted by Hybridan nor does it make any representation or warranty, express or implied, as to the accuracy of, any information or opinion contained in this document or for the omission of any information. Hybridan expressly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which might otherwise have in respect of this document.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<b>2016</b>
Record Date for entitlement under the Open Offer	27 June
Announcement of the Proposals	29 June
Posting of circular, audited accounts for the year ended 31 December 2015 and forms of proxy	29 June
Open Offer Application Forms posted to Qualifying non-CREST Shareholders	29 June
Ex-entitlement Date of the Open Offer	8.00 a.m. on 29 June
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	As soon as possible after 8.00 a.m. on 30 June
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 15 July
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 18 July
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 18 July
<b>Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)</b>	11.00 a.m. on 20 July
Latest time and date for receipt of <b>white</b> form of proxy for the Annual General Meeting	3.00 p.m. on 20 July
Latest time and date for receipt of <b>blue</b> form of proxy for the General Meeting	3.05 p.m. on 20 July
<b>Annual General Meeting</b>	3.00 p.m. on 22 July
<b>General Meeting</b>	3.05 p.m. on 22 July
Record date for the Subdivision	5.00 p.m. on 22 July
Final date of dealings in the Existing Ordinary Shares	22 July
Admission effective and dealings in the New Ordinary Shares, Placing Shares, Open Offer Shares and Loan Capitalisation Shares expected to commence	8.00 a.m. on 25 July
New Ordinary Shares in uncertificated form expected to be credited to accounts in CREST	As soon as possible after 8.00 a.m. on 25 July
Despatch of definitive share certificates for New Ordinary Shares in certificated form	By 5 August

If any of the details contained in the timetable above should change, the revised times and dates will be notified shareholders by means the regulatory information service announcement.

In this document, all references to times and dates are to times and dates in London, United Kingdom.

If you have any questions on the procedure for acceptance and payment, you should contact Neville Registrars Limited on 0121 585 1131 if calling within the United Kingdom or +44 121 585 1131 if calling

from outside the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00 a.m. and 5.00 p.m. Monday to Friday excluding UK public holidays. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

The ISIN code for the Ordinary Shares is GB00B57JBH88. The ISIN for the Open Offer Basic Entitlements is GB00BYQLLC36. The ISIN for Open Offer Excess Entitlements is GB00BYQLLD43.

## **SHARE CAPITAL AND FUNDRAISING STATISTICS**

Issue price	0.25p
Basis of Open Offer	5 Open Offer Shares for every 2 Existing Ordinary Shares
Number of Existing Ordinary Shares	281,450,530
Number of New Ordinary Shares following the Subdivision but before the Placing, Open Offer and Loan Capitalisation	281,450,530
Number of Placing Shares	340,800,000
Number of Open Offer Shares	703,626,325
Number of Loan Capitalisation Shares	336,000,000
Enlarged Share Capital following the Proposals*	1,661,876,855
Percentage of the Enlarged Share Capital held by the Concert Party following completion of the Proposals**	89.3
Gross proceeds of the Fundraising	£2,611,066
Estimated expenses of the Proposals	£183,000

\* Assuming all Open Offer Shares are issued

\*\* This is the maximum percentage, taking into account the Loan Capitalisation Shares and assuming NW1's underwriting commitments are taken up in full.

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>“AIM”</b>	the market of that name operated by London Stock Exchange plc
<b>“AIM Rules”</b>	the AIM Rules for companies published by the London Stock Exchange in January 2016
<b>“Accounts”</b>	the audited accounts of the Company for the year ended 31 December 2015
<b>“Admission”</b>	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules
<b>“Annual General Meeting” or “AGM”</b>	the annual general meeting of the Company to be held on 22 July 2016, notice of which is set out at the end of the Accounts
<b>“applicant”</b>	a Qualifying Shareholder or a person by virtue of a <i>bona fide</i> market claim who lodges an Application Form or relevant CREST instruction under the Open Offer
<b>“Application Form”</b>	the Application Form relating to the Open Offer to be issued for use by Qualifying non-CREST Shareholders
<b>“Articles”</b>	the articles of association of the Company
<b>“Basic Entitlement(s)”</b>	the pro rata entitlement for Qualifying Shareholders to subscribe for Open Offer Shares, pursuant to the Open Offer as described in Part III of this document
<b>“blue form of proxy”</b>	the blue form of proxy accompanying this document for use by Shareholders at the General Meeting
<b>“Board” or “Directors”</b>	the board of directors of the Company
<b>“CA 2006”</b>	the Companies Act 2006, as amended
<b>“Cantor Fitzgerald”</b>	Cantor Fitzgerald Europe
<b>“CCSS”</b>	the CREST Courier and Sorting Service, established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of certificated securities
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Company”</b>	Fitbug Holdings plc
<b>“Concert Party”</b>	the members of the concert party, further details of which appear in paragraph 7 of Part I, and in Part IV, of this document
<b>“CREST”</b>	the electronic settlement system for UK and Irish securities operated by Euroclear UK & Ireland Limited
<b>“CREST Regulations”</b>	The Uncertificated Securities Regulations 2001, as amended
<b>“Deferred Shares”</b>	the deferred shares of 0.9p each in the capital of the Company arising from the Subdivision

<b>"Enlarged Share Capital"</b>	the issued ordinary share capital of the Company immediately following Admission, comprising the New Ordinary Shares, the Loan Capitalisation Shares, Open Offer Shares and the Placing Shares
<b>"Excess Application Facility"</b>	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of the Basic Entitlement in accordance with the terms and conditions of the Open Offer
<b>"Excess CREST Open Offer Entitlement"</b>	in respect of each Qualifying CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to the Basic Entitlement credited to the Qualifying CREST Shareholders account in CREST, pursuant to the Excess Application Facility, which is conditional on the Qualifying CREST Shareholder taking up his Basic Entitlement in full and which may be subject to scaleback in accordance with the provisions of this document
<b>"Excess Entitlement(s)"</b>	Open Offer Shares in excess of the Basic Entitlement, but not in excess of the total number of Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer as described in Part III of this document
<b>"Excess Shares"</b>	the Open Offer Shares for which Qualifying Shareholders may apply under the Excess Application Facility in addition to their Basic Entitlement
<b>"Ex-entitlement Date"</b>	the date on which the Existing Ordinary Shares are marked "ex" for entitlement under the Open Offer being 29 June 2016
<b>"Existing Ordinary Shares"</b>	the 281,450,530 Ordinary Shares of 1p each in the capital of the Company in issue as at the date of this document
<b>"Fundraising"</b>	the Placing and the Open Offer
<b>"General Meeting"</b>	the general meeting of the Company to be held on 22 July 2016, notice of which is set out at the end of this document
<b>"Group"</b>	the Company and its subsidiaries
<b>"Hybridan"</b>	Hybridan LLP, the broker to the Company
<b>"Independent Shareholders"</b>	the Shareholders, other than the members of the Concert Party
<b>"Issue Price"</b>	0.25p per Placing Share and Open Offer Share, as the case may be
<b>"Kifin"</b>	Kifin Limited
<b>"Loan Agreements"</b>	<p>the agreements relating to the loans to the Company in the current total amount of £9,239,000 from Kifin and NW1, comprising:</p> <ul style="list-style-type: none"> <li>(a) loan notes dated 28 June 2012 and 28 January 2013 issued to Kifin in the aggregate amount of £1,000,000; and</li> <li>(b) a secured loan agreement dated 1 April 2009, the benefit of which is now held by NW1, as amended, together with various loan letters under which an aggregate amount of £8,239,000 has been advanced to the Company.</li> </ul>

<b>"Loan Capitalisation"</b>	the allotment and issue of the Loan Capitalisation Shares to Kifin and NW1, credited as fully paid at 2.5p per share, in satisfaction of £8.4 million owed by the Company to Kifin and NW1, as described in paragraph 6 of Part I of this document
<b>"Loan Capitalisation Agreements"</b>	the conditional agreements dated 29 June 2016 between the Company and each of Kifin and NW1 relating to the Loan Capitalisation
<b>"Loan Capitalisation Shares"</b>	the 336,000,000 New Ordinary Shares to be allotted and issued credited as fully paid up at 2.5p per share to Kifin and NW1 pursuant to the Loan Capitalisation as described in paragraph 6 of Part I of this document
<b>"member account ID"</b>	the identification code or number attached to any member account in CREST
<b>"New Ordinary Shares"</b>	the new ordinary shares of 0.1p each in the capital of the Company arising from the Subdivision
<b>"NW1"</b>	NW1 Investments Limited
<b>"Open Offer"</b>	the conditional invitation to Qualifying Shareholders to apply for the Open Offer Shares at the Issue Price on the terms and conditions outlined in this document and, where relevant, in the Application Form
<b>"Open Offer Entitlements"</b>	entitlement to Qualifying CREST Shareholders to subscribe to Open Offer Shares pursuant to the Basic Entitlement and Excess Entitlement
<b>"Open Offer Shares"</b>	up to 703,626,325 New Ordinary Shares to be issued pursuant to the Open Offer
<b>"Ordinary Shares"</b>	ordinary shares in the capital of the Company
<b>"Overseas Shareholders"</b>	Shareholders with registered addresses, or who are citizens or residents of, or incorporating, countries outside of the UK
<b>"Panel"</b>	the Panel on Takeovers and Mergers
<b>"participant ID"</b>	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
<b>"Placing"</b>	the conditional placing of the Placing Shares at the Issue Price, further details of which are set out in paragraph 3 of Part I of this document
<b>"Placing Agreement"</b>	the conditional agreement dated 29 June 2016 between the Company (1) and Hybridan (2) relating to the Placing
<b>"Placing Shares"</b>	the 340,800,000 New Ordinary Shares which have been conditionally placed pursuant to the Placing
<b>"Proposals"</b>	the proposed Placing, Open Offer, Loan Capitalisation and Subdivision
<b>"Qualifying CREST Shareholders"</b>	Qualifying Shareholders holding Existing Ordinary Shares which, on the register of members of the Company on the Record Date, are in uncertificated form in CREST

<b>“Qualifying non-CREST Shareholders”</b>	Qualifying Shareholders holding Existing Ordinary Shares which, on the register of members of the Company on the Record Date, are in certificated form
<b>“Qualifying Shareholders”</b>	subject to any restrictions imposed on Overseas Shareholders, holders of Existing Ordinary Shares whose names appear on the register of members of the Company on the Record Date as holders of Existing Ordinary Shares and who are eligible to be offered Open Offer Shares in the Open Offer in accordance with the terms and conditions set out in this document
<b>“Receiving Agent”</b>	Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA
<b>“Record Date”</b>	the record date for the Open Offer, being 27 June 2016
<b>“Regulatory Information Service”</b>	any information service authorised from time to time by the UK’s Financial Conduct Authority for the purpose of disseminating regulatory announcements
<b>“Resolutions”</b>	the ordinary and special resolutions which are set out in the notice of General Meeting
<b>“Restricted Jurisdictions”</b>	the United States, Australia, Canada, Japan and any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law
<b>“Rule 9 Waiver”</b>	the conditional waiver by the Panel of any obligation which would otherwise be imposed on the Concert Party, either individually or collectively, under Rule 9 of the City Code, as a result of the Concert Party’s participation in the Loan Capitalisation and underwriting of the Fundraising
<b>“Shareholders”</b>	the holders of Existing Ordinary Shares or (following the Subdivision) New Ordinary Shares from time to time
<b>“Subdivision”</b>	the subdivision of the Company’s issued ordinary share capital, on the basis that each Existing Ordinary Share of 1p shall be subdivided into 1 Ordinary Share of 0.1p and 1 Deferred Share of 0.9p
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland, its territories and dependencies
<b>“uncertificated” or “in uncertificated form”</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“Underwriting Agreement”</b>	the conditional agreement dated 29 June 2016 between NW1 and the Company relating to the underwriting of the Fundraising
<b>“white form of proxy”</b>	the white form of proxy accompanying this document for use by Shareholders at the AGM
<b>“Whitewash Resolution”</b>	the ordinary resolution (to be taken on a poll) of the Independent Shareholders concerning the waiver of obligations under Rule 9 of the City Code to be proposed to the General Meeting in connection with the Concert Party’s underwriting of the Fundraising, and set out as resolution 1 in the notice of General Meeting

**PART I**  
**LETTER FROM THE CHAIRMAN**

# Fitbug Holdings plc

*(Incorporated and registered in England and Wales with No. 04466195)*

*Directors:*

Donald Stewart, *Chairman*  
Anna Gudmundson, *Chief Executive Officer*  
Tyler Tarr, *Finance Director*  
Dr Mark Ollila, *non-executive Director*

*Registered Office:*  
Suite 5  
First Floor  
5 Rochester Mews  
London  
NW1 9JB

*To Shareholders and, for information purposes, to participants in the Company's share option schemes*

29 June 2016

Dear Shareholder

**1. Introduction**

The Company announced on 29 June 2016 proposals for a proposed equity fundraising to raise approximately £2.61 million before expenses. The Fundraising comprises a placing of 340,800,000 Placing Shares at 0.25p per share with institutional and other investors and an open offer of up to 703,626,325 Open Offer Shares at 0.25p per share which have been underwritten by NW1. In order to provide Shareholders who have not taken part in the Placing with an opportunity to participate in the proposed issue of New Ordinary Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe for the Open Offer Shares, to raise up to approximately £1.76 million (before expenses) through the Open Offer, on the basis of 5 New Ordinary Shares for every 2 Existing Ordinary Shares held on the Record Date, at 0.25p each.

Shareholders subscribing for their full entitlement under the Open Offer may also request additional New Ordinary Shares through the Excess Application Facility.

Each of the Placing and the Open Offer are conditional, *inter alia*, on the approval by Shareholders at the General Meeting of the proposed Subdivision and the grant of additional authorities to allot securities.

At the same time, it is proposed that £8.4 million of the Company's existing indebtedness to Kifin Limited and NW1 Investments Limited will be capitalised into 336,000,000 New Ordinary Shares at 2.5p per share.

These activities will substantially reduce the Company's debt, provide it with additional working capital, stabilise its balance sheet and position the Company to further deliver on its turnaround strategy of enhancing and monitoring employee wellness using its innovative app-based technology.

The Fundraising is being underwritten by NW1, which is a member of the Concert Party described in paragraph 7 of Part I below and in Part IV. In addition, NW1 and Kifin (also a member of the Concert Party) have agreed to enter into the Loan Capitalisation. Accordingly, the Board is also seeking the approval of the Independent Shareholders of the Rule 9 Waiver, which the Panel has agreed with the Company to grant, subject to the passing of the Whitewash Resolution by the Independent Shareholders at the General Meeting. Subject to the Whitewash Resolution being passed, the Rule 9 Waiver is a waiver of any obligation on the part of the Concert Party to make a general offer to Shareholders under Rule 9 of the City Code which otherwise might arise upon the Concert Party's underwriting commitments and the Loan Capitalisation. Further details of the Rule 9 Waiver are set out in paragraph 7 of this Part I.

The purpose of this document is to provide you with the background to the Placing, the Open Offer, the Loan Capitalisation, the Subdivision and the Resolutions to be proposed at the General Meeting, and to

explain why the Directors consider them to be in the best interests of the Company and the Shareholders as a whole, and why the Directors recommend that Independent Shareholders should vote in favour of the Whitewash Resolution at the General Meeting and that Shareholders should vote in favour of Resolutions 2 to 5 at the General Meeting. Further details on the Resolutions are set out below.

**Shareholders should be aware that, in the absence of the Resolutions being passed, the Company will have exhausted its cash resources and be unable to take advantage of the business opportunities currently available to it. Failure to pass the Resolutions will result in the Company needing to seek alternative financing arrangements which the Directors believe will be difficult to find in the current economic environment. Failure to secure alternative financing may result in the Company being unable to meet its obligations as they fall due and may therefore lead to liquidation.**

This document is also accompanied by the audited accounts of the Company for the year ended 31 December 2015. Notice of the 2016 Annual General Meeting of the Company is set out in the Accounts, and the resolutions to be proposed at the AGM are summarised in paragraph 15 of Part I of this document.

## **2. Background to and reasons for the Fundraising**

The Company announced its results for the financial year ended 31 December 2015 on 13 June 2016.

The Company delivered a poor financial performance during 2015. To address that unsustainable situation, Anna Gudmundson was appointed as Chief Executive in August 2015, following which the Group's strategy and management have been reappraised resulting in a turnaround strategy for the Company being implemented.

The Group has experienced an encouraging start to trading in 2016 with Q1 sales in the Corporate Wellness sector in excess of £400,000, a significant increase over like for like sales in Q1 of 2015, and a further significant order was received from a South African customer in April 2016. In addition, the Directors believe that the Company has a significant pipeline of potential B2B business, which the Directors believe to be worth in excess of £1.1 million over expected contract lifetimes.

The Company has identified a low cost entry point to market, via relationships with strategic partners. Those parties with whom the Group has engaged to date are confident that the Group's integrated, technology led proposition will be well received. Testimony to this was the deepening of the Company's alliance with strategic partner Punter Southall Health & Protection Consulting Limited following the successful roll out of Fitbug's Digital Wellness solution to four of its clients, as announced in March 2016.

The Directors believe 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 as Chief Executive are starting to show in increasing revenues and traction with key customers. As at the end of April 2016, the Company had approximately 100,000 users of its digital products and is confident in the continued growth in this number given the Company's current pipeline of opportunities. The Company is now in a position to look resolutely forward.

The Fundraising will provide the Company with further working capital and the Loan Capitalisation will substantially reduce the Company's debt, improving its balance sheet and positioning the Group in an improved financial position to deliver on its turnaround strategy to enhance and monitor employee wellness using its innovative app-based technology.

## **3. Details of the Fundraising**

The Company has conditionally raised a total of £852,000 through the Placing by the issue of 340,800,000 New Ordinary Shares at the Issue Price to institutional and other investors.

Under the terms of the Placing Agreement, Hybridan has conditionally agreed, as agent for the Company, to use its reasonable endeavours to procure placees for the Placing Shares. The Company has agreed to pay Hybridan commissions of 6 per cent. of all amounts introduced by them. The Placing Agreement contains certain warranties and indemnities given by the Company, and is conditional on, *inter alia*, the passing of the Resolutions, on the Placing Agreement not having been terminated, and on Admission

occurring by no later than 8.00 a.m. on 25 July 2016 or such later date as Hybridan and the Company may decide.

The Company is also raising a total of £1,759,066 through the Open Offer by the issue of up to 703,626,325 New Ordinary Shares at the Issue Price. The Fundraising has been underwritten by NW1.

In order to provide the Company with short term working capital, NW1 agreed on 13 June 2016 to provide a bridging loan to the Company of £121,000. NW1 has agreed today to make a further bridging loan to the Company of £280,000. The aggregate amount of both bridging loans (being £401,000) will be repaid by the issue of 160,400,000 New Ordinary Shares credited as fully paid at the Issue Price, either as part of the shares which may be issued to NW1 pursuant to its underwriting commitments or (if the Placing completes and the Open Offer is fully subscribed) as a separate issue of New Ordinary Shares. In the event that the Resolutions are not passed, the bridging loan will accrue interest at an annual rate of 2.5 per cent. above the base rate of the Bank of England from time to time and will be repayable on 31 July 2017.

It is expected that Admission will become effective and that dealings in the Placing Shares and Open Offer Shares will commence on 25 July 2016.

#### **4. Details of the Open Offer**

In order to provide Shareholders with an opportunity to participate in the Fundraising, the Company is providing all Qualifying Shareholders with the opportunity to subscribe, at the Issue Price, for an aggregate of up to 703,626,325 Open Offer Shares, raising gross proceeds of £1,759,066. The Open Offer has been fully underwritten by NW1.

Qualifying Shareholders may subscribe for Open Offer Shares in proportion to their holding of Existing Ordinary Shares held on the Record Date. Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares as an Excess Entitlement, up to the total number of Open Offer Shares available to Qualifying Shareholders under the Open Offer.

The Open Offer is conditional, amongst other things, on the following:

- (i) the passing of the Resolutions at the General Meeting; and
- (ii) Admission becoming effective by no later than 8.00 a.m. on 25 July 2016 (or such later date and or time as the Company and Hybridan may agree, being no later than 29 July 2016).

#### ***Basic entitlement***

On, and subject to the terms and conditions of, the Open Offer, the Company invites Qualifying Shareholders to apply for their Basic Entitlement of Open Offer Shares at the Issue Price. Each Qualifying Shareholder's Basic Entitlement has been calculated on the following basis:

#### **5 Open Offer Shares for every 2 Existing Ordinary Shares held at the Record Date**

Basic Entitlements will be rounded down to the nearest whole number of Open Offer Shares.

#### ***Excess entitlement***

Qualifying Shareholders are also invited to apply for additional Open Offer Shares (up to the total number of Open Offer Shares available to Qualifying Shareholders under the Open Offer) as an Excess Entitlement. Any Open Offer Shares not issued to a Qualifying Shareholder pursuant to their Basic Entitlement will be apportioned between those Qualifying Shareholders who have applied for an Excess Entitlement at the sole discretion of the Board, provided that no Qualifying Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

The Open Offer Shares and/or the Placing Shares, as the case may be, will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares in issue at that time, including the right to receive all dividends and other distributions declared, made paid after the date of Admission of them.

**Qualifying Shareholders should note that the Open Offer is not a "rights issue". Invitations to apply under the Open Offer are not transferable unless to satisfy bona fide market claims.**

**Qualifying non-CREST Shareholders should be aware that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market nor will they be placed for the benefit of Qualifying Shareholders who do not apply for Open Offer Shares under the Open Offer.**

### **Settlement and dealings**

Application will be made to the London Stock Exchange for Admission of the Open Offer Shares and/or Placing Shares as the case may be. It is expected that such Admission will become effective and that dealings will commence at 8.00 a.m. on 25 July 2016.

### **Overseas Shareholders**

The Open Offer Shares have not been and are not intended to be registered or qualified for sale in any jurisdiction other than the UK. Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to Qualifying Shareholders with registered addresses in any jurisdiction other than the UK since to do so would require compliance with the relevant securities laws of that jurisdiction. The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares which appears to the Company or its agents or professional advisers to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents or professional advisers believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of share certificates for Open Offer Shares, or in the case of a credit of Open Offer Shares in CREST, to a CREST member whose registered address would not be in the UK.

Notwithstanding the foregoing and any other provision of this document or the Application Form, the Company reserves the right to permit any Qualifying Shareholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Part III of this document together with the Application Form, in the case of Qualifying non-Crest Shareholders, contains the terms and conditions of the Open Offer.

If a Qualifying Shareholder does not wish to apply for Open Offer Shares he should not complete or return the Application Form or send a USE message through CREST.

### **Qualifying non-Crest shareholders**

If you are a Qualifying non-CREST Shareholder you will receive an Application Form, which will give details of your Basic Entitlement (as shown by the number of the Open Offer Shares allocated to you). If you wish to apply for Open Offer Shares under the Open Offer you should complete the Application Form in accordance with the procedure for application set out in paragraph 3 of Part III of this document and on the Application Form itself. The completed Application Form, accompanied by full payment, should be returned by post to Neville Registrars Limited at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA so as to arrive as soon as possible and in any event no later than 11.00 a.m. on 20 July 2016.

### **Qualifying Crest shareholders**

Application has been made for the Open Offer Entitlements of Qualifying CREST Shareholders to be admitted to CREST. It is expected that the Open Offer Entitlements will be admitted to CREST on 29 June 2016. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. If you are a Qualifying CREST Shareholder, no Application Form will be issued but you will receive credits to your appropriate stock account in CREST in respect of the Basic Entitlements to which you are entitled. You should refer to the procedure for application set out in paragraph 3 of Part III of this document. The relevant CREST instruction must have settled by no later than 11.00 a.m. on 20 July 2016.

## **EIS**

**Although the Company has received advance assurance from HMRC that it is a qualifying company for the purpose of the EIS and investment by VCTs, Shareholders should be aware that this may no longer be the case if the Placing Agreement does not become unconditional.** In those circumstances, the terms of the Underwriting Agreement may result in NW1 and the Concert Party holding more than 50 per cent. of the Enlarged Share Capital, and the Company would no longer be a qualifying company for the purposes of EIS or VCT relief.

### **5. Underwriting commitments**

Pursuant to the terms of the Underwriting Agreement, NW1 has agreed to underwrite the entire Fundraising so as to ensure the full proceeds of the Fundraising will be received by the Company. If the Placing Agreement becomes unconditional and the Placing is completed, NW1 will subscribe (a) for such number of Open Offer Shares as are not taken up under the Open Offer or otherwise subscribed for, up to such number of New Ordinary Shares as shall take the Concert Party's holding to, in aggregate, 49.9 per cent. of the Enlarged Share Capital, and (b) as to the balance of the underwriting obligations, for new secured loan notes, which shall be repayable on 31 July 2019 and shall carry interest at 4 per cent. per year over the Bank of England base rate, payable quarterly.

If the Placing Agreement does not become unconditional, NW1 may elect, at its sole discretion, either to satisfy its underwriting obligations by subscribing for such number of Placing Shares and Open Offer Shares, so as the Concert Party's holding will be, in aggregate, 49.9 per cent., with the balance in loan notes, as described above, or by subscribing for the Placing Shares and for such number of Open Offer Shares as are not taken up under the Open Offer or otherwise subscribed for. In the latter circumstances, the number of New Ordinary Shares that may be subscribed for under the Underwriting Agreement will not be limited, to 49.9 per cent. as set out above. The Concert Party's holding could therefore exceed 50 per cent, and the Company would no longer be eligible for EIS or VCT relief.

Any loan notes issued to NW1 will carry rights, exercisable at NW1's sole discretion, to subscribe for New Ordinary Shares at the Issue Price for a period of five years from the date of issue. These subscription rights shall be capable of being exercisable in cash immediately and for an aggregate subscription price equal in value to the number of loan notes that may be issued to NW1, and will be exercisable, *inter alia*, only to the extent that such exercise does not result in the Concert Party's holding, or the holding of any other holder of subscription rights and any person with whom such holder of subscription rights is acting in concert (as such term is defined in the City Code), in aggregate, being over 49.9 per cent. of the then issued share capital. The subscription rights will be transferable.

### **6. Loan Capitalisation**

The Company's indebtedness to Kifin and NW1 under their respective Loan Agreements currently amounts to £9,239,000 in total (excluding the bridging loans of £401,000, details of which are set out in paragraph 3 of this Part I). Under the Loan Capitalisation Agreements, Kifin has conditionally agreed to capitalise £1 million, representing the whole of its loans, and NW1 has conditionally agreed to capitalise £7.4 million of its loans, in each case into New Ordinary Shares at 2.5p per share. Subject to the conditions to the Fundraising being satisfied and the Fundraising being completed, pursuant to the terms of the Loan Capitalisation, Kifin will be issued 40,000,000 New Ordinary Shares representing approximately 2.41 per cent. of the Company's Enlarged Share Capital and NW1 will be issued 296,000,000 New Ordinary Shares representing approximately 17.81 percent. of the Company's Enlarged Share Capital.

The Loan Capitalisation Agreements are each conditional, *inter alia*, on the passing of the Resolutions at the General Meeting and on the completion of the Fundraising. Following the Loan Capitalisation, the Company will owe £839,000 to NW1. £339,000 of the outstanding loan will be repayable on 31 July 2020 and will carry interest at 2.5 per cent. per year over the Bank of England base rate. £500,000 of the outstanding loan will be carried forward in the form of new secured loan notes, which shall be repayable on 31 July 2018 and shall carry interest at 4 per cent. per year over the Bank of England base rate, payable quarterly. The loan notes will carry rights to subscribe in cash for £500,000 of New Ordinary Shares at the Issue Price for a period of five years from the date of issue, on the same terms as the subscription rights proposed to be issued under the Underwriting Agreement described above.

## **7. City Code on Takeovers and Mergers**

The Company is subject to the requirements of Rule 9 of the City Code, which requires that any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the City Code) in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, will normally be required to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with any persons acting in concert with him, is interested in shares which, in aggregate, carry not less than 30 per cent. of the voting rights of such a company but not more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person, or any person acting in concert with him.

An offer under Rule 9 of the City Code must made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

Rule 9 of the City Code further provides, *inter alia*, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company and acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares. However, the Panel may deem an obligation to make an offer to have arisen on the acquisition by a single member of a concert party of an interest in shares sufficient to increase his individual holding to 30 per cent. or more of a company's voting rights, or, if he already holds more than 30 per cent., but less than 50 per cent., an acquisition which increases his shareholding in that company.

Under the City Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of, or to frustrate the successful outcome of an offer for a company, subject to the City Code. "Control" means an interest, or interests, in shares carrying, in aggregate, 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control. The members of the Concert Party are deemed to be acting in concert for the purposes of the City Code.

### ***Concert Party***

The Concert Party comprises NW1, Kifin, Prime Interaction, Allan Fisher, David Turner and members of their immediate families. Allan Fisher and David Turner are both founders and were (until 28 June 2016) directors of the Company. They have other business dealings and experience in health clubs with Mr Fisher being one of the founders of Holmes Place International ("HPI") and Mr Turner being a co-founder of LA Fitness. Mr Fisher continues to be a director shareholder in HPI and Mr Turner is also a director of HPI, representing the interest of the independent shareholders.

NW1 is an investment vehicle with the adult children of Mr Turner and Mr Fisher being the two shareholders of that vehicle. In addition to its equity investment in the Company, in recent years NW1 has provided investment into the Company by way of loan notes to the sum of £8,239,000.

Kifin is a Kirsh Group subsidiary. In 2007, HPI had the opportunity to acquire other elements of the old Holmes Place Europe business and Kirsh Group provided the funding for that acquisition and became a 30 per cent. shareholder in HPI. The Kirsh Group subsequently made a further investment into HPI taking its stake to 49.9 per cent.

Over recent years, Kifin has provided investment into the Company by way of loan notes to the sum of £1,000,000.

Prime Interaction is an investment holding company whose directors are Barry Stiefel (who is also the manager of the Kirsh family office) and Robin Fisher. Mr Fisher has, in addition, a distant family connection with Mr Kirsh.

Further details of the Concert Party and of their individual interests in the Company are set out in Part IV of this document.

The aggregate interests of all the members of the Concert Party currently comprises 82,474,999 Ordinary Shares representing approximately 29.30 per cent. of the Existing Ordinary Shares. In addition, members of the Concert Party hold convertible loan notes which can be converted into 53,333,334 Ordinary Shares in the Company.

Following completion of the Proposals, the aggregate interests of all the members of the Concert Party will be between 778,874,999 New Ordinary Shares and 1,662,901,324 New Ordinary Shares (respectively between 38.5 per cent. and 89.3 per cent. of the Enlarged Share Capital), depending on the quantum of funding to be provided by NW1 under the Underwriting Agreement. The individual interests of the members of the Concert Party as well as the Concert Party's resulting holdings in New Ordinary Shares of the Company are set out, together with further information on each member of the Concert Party, in Part IV below.

### ***Rule 9 Waiver and Whitewash Resolution***

Following completion of the Proposals, assuming the full £2.61 million of the Fundraising is provided by NW1 under the Underwriting Agreement and NW1 subscribes in full for the Placing Shares and all of the Open Offer Shares, and also exercises its rights to subscribe £500,000 for New Ordinary Shares at the Issue Price in accordance with the terms of the subscription rights granted under the loan notes issued to NW1, NW1's percentage shareholding would increase to a maximum of 1,554,426,325 New Ordinary Shares representing, in aggregate, 83.5 per cent. of the Company's then enlarged share capital. Although the individual shareholdings of other members of the Concert Party (including Kifin) will be diluted, as a whole the Concert Party's aggregate interest in Ordinary Shares would be increased to a maximum of 1,662,901,324 New Ordinary Shares representing, in aggregate, 89.3 per cent. of the then enlarged share capital. The Concert Party's aggregate interest in Ordinary Shares would be increased to more than 30 per cent. of the then enlarged share capital, and as such prompt a mandatory offer under Rule 9 of the City Code.

Under Note 1 of the Notes on the Dispensations from Rule 9 of the City Code, the Panel may waive the requirement for a general offer to be made in accordance with Rule 9 of the City Code if, *inter alia*, the shareholders of the company who are independent of the person who would otherwise be required to make an offer, and any person acting in concert with him, pass an ordinary resolution on a poll at a general meeting or by way of a written resolution approving such a waiver.

Accordingly, the Company proposes that the Independent Shareholders waive the obligation on NW1, Kifin and the Concert Party to make a mandatory offer under Rule 9 of the City Code, which would otherwise arise as a result of NW1's underwriting commitments and (with Kifin) participation in the Loan Capitalisation.

The Panel has agreed, subject to the passing of the Whitewash Resolution by Independent Shareholders on a poll at the General Meeting, to waive the requirement under Rule 9 of the City Code for the Concert Party, collectively and/or individually, to make a mandatory offer for the Ordinary Shares not already owned by it or persons connected with it as would otherwise arise on NW1's underwriting commitments and (with Kifin) participation in the Loan Capitalisation.

### ***Potential voting rights of the Concert Party***

If the Resolutions are passed at the General Meeting and Admission is effective, the Company's issued share capital would increase to 1,661,876,855 New Ordinary Shares (assuming no additional shares need to be issued pursuant to the bridging loans).

In the event that the Placing Agreement does not become unconditional and that there is no participation in the Open Offer by Qualifying Shareholders and that all the Placing Shares and the Open Offer Shares are acquired by NW1 and NW1 also exercises its rights to subscribe £500,000 for New Ordinary Shares under the subscription rights attached to its loan notes, the Concert Party's maximum interest in Ordinary Shares would be, in aggregate, 1,662,901,324 New Ordinary Shares, constituting approximately 89.3 per cent. of the then voting rights in the Company (as set out in the table and accompanying notes in Part IV below).

In the event that the Placing Agreement becomes unconditional and the Placing completes and the Open Offer Shares are fully subscribed by Qualifying Shareholders, and assuming the Concert Party do not subscribe for shares under the Open Offer, but convert into equity the bridging loans and subscribe £500,000 for New Ordinary Shares under the subscription rights attached to its loan notes, the Concert Party's

maximum interest in Ordinary Shares would be, in aggregate, 778,874,999 New Ordinary Shares, constituting approximately 38.5 per cent. of the then voting rights in the Company.

In the event that the Ordinary Shares which the Concert Party would then be interested in together carry 30 per cent. or more of the voting rights in the Company and the Concert Party do not hold shares carrying more than 50 per cent. of the voting rights in the Company, no member of the Concert Party could acquire an interest in any further shares carrying voting rights in the Company without being subject to the provisions of Rule 9 of the City Code.

**In the event that the Ordinary Shares which the Concert Party would then be interested in together carry 50 per cent. or more of the voting rights in the Company, it would be free (subject as set out in Note 4 to Rule 9.1 of the City Code) to increase its aggregate holding of Ordinary Shares without any obligation to make a general offer for the Company under the provisions of Rule 9 of the City Code. Individual members of the Concert Party (other than NW1 which will hold more than 50 per cent.) will not however be able to increase their individual percentage shareholding through or between a Rule 9 threshold without Panel consent.**

#### ***Intentions of the Concert Party***

The Concert Party has confirmed that it is not proposing, following any increase in shareholding as a result of NW1's participation in the Open Offer and (with Kifin) in the Loan Capitalisation to seek any change in the general nature of the Company's business, and has confirmed that each individual member of the Concert Party does not currently intend to take any action to alter the management of the Company, the continued employment of its employees (including any material change in conditions of employment), employer contributions into the Company's pension schemes, the location of the Company's places of business, and the deployment of the Company's fixed assets.

The members of the Concert Party do not intend to make an offer for the Company, and have no intention to cause the Company to cease to maintain any of the trading facilities in respect of the Ordinary Shares.

#### **8. Net assets and use of proceeds**

The Directors are of the opinion that, taking into account the net proceeds of the Fundraising and the effect of the Loan Capitalisation, the working capital available to the Company will be sufficient for its requirements for at least 12 months from the date of this document.

The proceeds of the Placing will be used as follows:

Marketing and sales	£0.7 million
Product development and client setup	£1.0 million
Stock purchases and deliveries of new Fitbug tracker	£0.3 million
General working capital	£0.6 million

As at 31 December 2015, the Company had negative net assets of £8.153 million. The Fundraising will increase total assets by £2.6 million, and the Loan Capitalisation will reduce total liabilities by £8.4 million. These amounts will (on a pro-forma basis as at 31 December 2015) together result in the Company having positive net assets of £2.847 million, on the assumption that the Placing is completed and the Open Offer is fully subscribed. In the event that no subscriptions are received under the Open Offer but that the Placing is completed as described in this document and NW1 subscribe for such number of shares as will result in the Concert Party holding 49.9 per cent. of the Enlarged Share Capital, and that further loan notes are issued to NW1, these amounts will (on a pro-forma basis as at 31 December 2015) together result in the Company having positive net assets of £1.399 million.

#### **9. Strategy, current trading and prospects**

The audited results of the Company for the year ended 31 December 2015 accompany this document, and Shareholders should refer to the chairman and chief executive's statement for that period.

The second half of the year has seen a reappraisal which has resulted in a turnaround strategy, the results of which to date have been positive. The Company has identified a significant target market for its wellness

technology: corporate wellness, where it is 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. The Company provides both personalised programmes and corporate engagement activities which, together with Fitbug's "employee challenges", the Directors believe increase user engagement and lead to ongoing lifestyle changes. By combining trackers and software, the Company makes employee uptake and engagement measurable for the corporate client.

At the end of September 2015, a new version of Kiqplan was launched and, 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. The Directors believe that this augurs well for Fitbug's 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.

The Group has experienced an encouraging start to trading in 2016 with Q1 sales in the Corporate Wellness sector in excess of £400,000, a significant increase over like for like sales in Q1 of 2015, and a further significant order was received from a South African customer in April 2016. In addition the Directors believe that the Company has a significant pipeline of potential B2B business which the Directors believe to be worth in excess of £1.1 million over expected contract lifetimes.

The Directors intend to continue to follow the Company's turnaround strategy, moving away from retail channels in order to leverage the Group's established B2B network and identifying further savings and efficiencies in order to reduce the Company's cost base by over 30 per cent. in the current financial year.

## **10. Subdivision**

The CA 2006 prohibits the Company from issuing shares at a price below their nominal value. As the Issue Price of 0.25p is below the current nominal value of 1p per share, it is proposed that each of the Existing Ordinary Shares of 1p be sub-divided into one Ordinary Share of 0.1p and one Deferred Share of 0.9p, such Deferred Shares having the rights and being subject to the restrictions attached to them as proposed in Resolution 3 set out in the Notice of General Meeting at the end of this document.

The Deferred Shares will not entitle their holders to receive notice of or to attend or vote at any general meeting of the Company, or to receive any dividend or other distribution. On a return of capital on a winding up or dissolution of the Company, the holders of the Deferred Shares shall be entitled to receive an amount equal to the nominal amount paid up thereon, but only after the holders of Ordinary Shares have received £100,000 per Ordinary Share. The holders of Deferred Shares are not entitled to any further right of participation in the assets of the Company. The Company shall have the right to purchase the Deferred Shares in issue at any time for no consideration. As such, the Deferred Shares effectively have no value. Share certificates will not be issued in respect of the Deferred Shares, and they will not be admitted to trading on AIM.

### ***Admission, share certificates and CREST entitlements***

The effective date of the Subdivision will be on 25 July 2016. Application will be made for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will come effective and that dealings in the New Ordinary Shares will commence on 25 July 2016. The ISIN and SEDOL numbers for the New Ordinary Shares will be the same as for the Existing Ordinary Shares, being GB00B57JBH88 and B57JBH8 respectively.

No application will be made for the Deferred Shares created by the Subdivision to be admitted to trading on AIM, and no share certificates will be issued in respect of the Deferred Shares.

Share certificates for Existing Ordinary Shares held in certificated form will remain valid. CREST stock accounts for Existing Ordinary Shares held in uncertificated form are expected to be redesignated as for the New Ordinary Shares on 25 July 2016.

## **11. Changes to the Board**

As also announced today, David Turner and Allan Fisher have stepped down as Directors, and Tyler Tarr has joined the Board with effect from 28 June 2016.

Tyler Tarr joins the Board as part time Finance Director. Aged 52, Tyler has worked with the Company as interim CFO since early December 2015. Tyler has spent more than 10 years providing mergers and acquisitions advisory, debt placement, management consulting and interim CEO and CFO services to a wide variety of tech, media and electronics businesses. Tyler has extensive financial and operational experience in a wide array of environments, from early stage high technology companies to large multi-national manufacturing enterprises having qualified in accountancy with Arthur Andersen and Coopers & Lybrand.

This appointment completes the change of the entire Board of Directors, following the appointment of Anna Gudmundson as Chief Executive on 27 August 2015, Donald Stewart as Chairman on 30 November 2015 and Dr Mark Ollila as a non-executive Director on 11 January 2016. Their biographies are set out in the Accounts.

As they have all been appointed since the date of the 2015 annual general meeting, each of these Directors will be proposed for re-appointment as Directors at the AGM, in accordance with the requirements of the CA 2006 and the Articles.

## **12. Related Party Transaction**

Kifin currently hold 10.66 per cent. of the Company's issued share capital. Therefore, for the purposes of the AIM Rules, the Loan Capitalisation between the Company and Kifin, as described in paragraph 6 above, is considered to be a related party transaction. The Directors consider, having consulted with Cantor Fitzgerald, that the terms of this transaction are fair and reasonable insofar as the Shareholders are concerned.

## **13. Adoption of new share option schemes and grant of options**

On completion of the Proposals, the Company is proposing to adopt both an EMI share option scheme, and an unapproved share option scheme. Options may be granted under both schemes over a maximum aggregate number of Ordinary Shares equivalent to 15 per cent. of the issued share capital from time to time. It is proposed that, conditional upon the Resolutions being passed at the General Meeting, options over approximately 12 per cent. of the Enlarged Share Capital will be granted to Directors and other employees of the Group, exercisable at the Issue Price, at 0.35p and at 0.5p per share, subject to a minimum vesting period of three years.

## **14. Risk Factors and Additional Information**

The attention of Shareholders is drawn to the risk factors set out in Part II and to the information contained in Parts III to V of this document which provide additional information on the Open Offer, the Concert Party and the Company.

## **15. Annual General Meeting**

The Annual General Meeting of the Company will be held at Suite 5, First Floor, 5 Rochester Mews, London NW1 9JB at 3.00 p.m. on 22 July 2016, at which the following resolutions will be proposed:

- (a) Resolution 1: to approve the annual report and accounts. The Directors are required to lay before the Company at the AGM the accounts of the Company for the financial year ended 31 December 2015, the report of the Directors and the report of the Company's auditors on those accounts.
- (b) Resolution 2: to approve the re-appointment of Anna Gudmundson.
- (c) Resolution 3: to approve the re-appointment of Donald Stewart.
- (d) Resolution 4: to approve the re-appointment of Dr Mark Ollila.
- (e) Resolution 5: to approve the re-appointment of Tyler Tarr.

- (f) Resolution 6: to approve the re-appointment of Hazlewoods LLP as auditors of the Company and to authorise the Directors to fix their remuneration. The Company is required to appoint auditors at each general meeting at which accounts are laid, to hold office until the next such meeting.
- (g) Resolution 7: to approve the renewal of the Directors' general authorities to allot securities under section 551 CA 2006.
- (h) Resolution 8: to approve the renewal of the Directors' general authorities to allot securities for cash under section 570 CA 2006.

Under the CA 2006 and the Articles, Directors must retire and submit themselves for re-election at the first annual general meeting following their appointment.

## **16. General Meeting**

A General Meeting of the Company will be held at Suite 5, First Floor, 5 Rochester Mews, London NW1 9JB at 3.05 p.m. on 22 July 2016 (or as soon thereafter as the Annual General Meeting shall have concluded or been adjourned), at which the following resolutions will be proposed:

- (a) Resolution 1: an ordinary resolution to seek the approval of Independent Shareholders to a waiver of the obligation on NW1, Kifin and the Concert Party which would otherwise arise under Rule 9 of the City Code as a result of NW1's participation in the Open Offer and (with Kifin) in the Loan Capitalisation;
- (b) Resolution 2: an ordinary resolution to approve the Subdivision;
- (c) Resolution 3: a special resolution to approve an amendment of the Articles to include the rights attaching to the Deferred Shares;
- (d) Resolution 4: an ordinary resolution to give the Directors general authority to allot securities under section 551 CA 2006;
- (e) Resolution 5: a special resolution to give the Directors authority to allot securities for cash under section 570 CA 2006.

Only the Independent Shareholders will be entitled to vote on Resolution 1, which will be conducted on a poll at the General Meeting. The Company proposes to allot the following New Ordinary Shares:

- 340,800,000 New Ordinary Shares for the purposes of the Placing;
- 703,626,325 New Ordinary Shares for the purposes of the Open Offer; and
- 336,000,000 New Ordinary Shares for the purposes of the Loan Capitalisation

and to grant to NW1 rights to subscribe for up to 903,626,400 New Ordinary Shares under the provisions of the Underwriting Agreement and Loan Capitalisation Agreement as described in paragraphs 5 and 6 above, and to grant options to subscribe for up to 199,425,000 New Ordinary Shares under the new share option schemes described in paragraph 13 above.

Each of Resolutions 2 to 5 is conditional on the Whitewash Resolution set out in Resolution 1 being passed by Independent Shareholders.

The Directors propose to seek authorities to allot securities for cash in the aggregate amount of £3,183,335 (equivalent to 3,183,335,000 New Ordinary Shares) for the purposes of the Fundraising, the Loan Capitalisation and the grant of rights to subscribe and share options, and to provide additional residual authority to allot shares both generally and for cash, including the allotment of shares otherwise than to Shareholders on a pre-emptive basis. These residual authorities will be limited to a nominal amount of £650,000, equivalent to 650,000,000 New Ordinary Shares (representing approximately 39.1 per cent. of the Enlarged Share Capital), and will expire at the conclusion of the annual general meeting to be held in 2017. Should the Placing be completed and Qualifying Shareholders subscribe in full for the Open Offer Shares, the Company would use these residual authorities to issue a further 160,400,000 Ordinary Shares to NW1 as repayment of the bridging loans provided by NW1, details of which are set out in paragraph 3 of this Part I.

## **17. Action to be taken**

### ***General Meeting and Annual General Meeting***

Shareholders will find enclosed with this document two forms of proxy:

- (a) the **white** form of proxy is for use at the **Annual General Meeting**, and should be returned by no later than 3.00 p.m. on 20 July 2016 for the AGM to be held on 22 July 2016;
- (b) the **blue** form of proxy is for use at the **General Meeting**, and should be returned by no later than 3.05 p.m. on 20 July 2016 for the General Meeting to be held on 22 July 2016.

Whether or not you intend to be present at either meeting, you are requested to complete, sign and return the form of proxy to the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible but, in any event, so as to arrive by no later than 48 hours before the time and date of the relevant meeting. The completion and return of a form of proxy will not preclude you from attending the relevant meeting and voting in person should you wish to do so.

**Shareholders should be aware that, in the absence of the Resolutions being passed, the Company will have exhausted its cash resources and be unable to take advantage of the business opportunities currently available to it. Failure to pass the Resolutions will result in the Company needing to seek alternative financing arrangements which the Directors believe will be difficult to find in the current economic environment. Failure to secure alternative financing may result in the Company being unable to meet its obligations as they fall due and may therefore lead to liquidation.**

### ***Open Offer***

Qualifying non-CREST Shareholders wishing to apply for Open Offer Shares or for Excess Shares must complete the Application Form in accordance with the instructions set out in paragraph 3 of Part III of this document and on the Application Form and return it with the appropriate payment to Neville Registrars Limited at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA so as to arrive no later than 11.00 a.m. on 20 July 2016.

If you do not wish to apply for any Open Offer Shares under the Open Offer, you should not complete or return the Application Form. Shareholders are nevertheless requested to complete and return forms of proxy for the General Meeting and AGM. If you are a Qualifying CREST Shareholder, no Application Form will be sent to you. Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST. You should refer to the procedure for application set out in paragraph 3 of Part III of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 3 of Part III of this document by no later than 11.00 a.m. on 20 July 2016.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

## **18. EIS**

The Company has obtained advance assurance from HMRC that it is a qualifying company for the purposes of the EIS and investment by VCTs. The advance assurance, in accordance with customary HMRC practice, relates to the qualifying status of the Company only and is based on the facts supplied to HMRC. Subsequent conditions placed on the Company may affect its qualifying status. **Shareholders should be aware that, as described in paragraphs 4 and 5 of this Part I above, if the Placing Agreement does not become unconditional, the number of New Ordinary Shares that may be subscribed for under the Underwriting Agreement may result in the Concert Party's holding exceeding 50 per cent., in which event the Company would no longer be eligible for EIS or VCT relief.**

Neither the Directors nor the Company gives any warranty or undertaking that relief will be available in respect of any investment in New Ordinary Shares pursuant to this document, nor do they warrant or undertake that the Company will conduct its activities in a way that qualifies for or preserves its status. Despite the advance assurance from HMRC, it is unlikely that all investors who subscribe for New Ordinary Shares and who would otherwise qualify for relief will be able to benefit from EIS/VCT qualifying status on their subscription shares. This is because there is a limit on the number of issued shares that can fall within the reliefs due, affected by a statutory limit on the amount that can be raised in such schemes, in turn affected by

previous EIS share allotments and grants received. The Company and its advisers will have discretion regarding if and to what extent any available EIS/VCT relief will be allocated to otherwise eligible investors. The rules governing EIS and VCT reliefs are complex and interrelated with other legislation. If Shareholders or other investors are in any doubt as to their tax position, or are subject to tax in a jurisdiction other than the United Kingdom, they should consult their own professional adviser.

#### **19. Recommendation**

The Directors, who have been so advised by the Company's financial adviser, Cantor Fitzgerald, consider the terms of the Proposals (including the Whitewash Resolution) to be fair and reasonable and in the best interest of Independent Shareholders and of the Company as a whole. In providing advice to the Directors, Cantor Fitzgerald has taken into account the Directors' commercial assessments. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of the Whitewash Resolution (Resolution 1) at the General Meeting.

The Directors consider that the Fundraising is in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of Resolutions 2 to 5 at the General Meeting.

Voting on the Whitewash Resolution will be by means of a poll at the General Meeting of Independent Shareholders. Members of the Concert Party will not vote on the Whitewash Resolution at the General Meeting.

Yours faithfully

Donald Stewart  
*Chairman*

## PART II

### RISK FACTORS

**Shareholders should be aware that an investment in the Company is highly speculative and involves a high degree of risk. Before making any investment decision, prospective investors should carefully consider all the information contained in this document including, in particular, the risk factors described below, which are not presented in any order of priority and may not be exhaustive.**

**The following risk factors are all those named by the Directors which are considered to be material in their opinion. Additional risks and uncertainties not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business, financial condition and results of operations.**

**An investment in the Company may not be suitable for all recipients of this document. Qualifying Shareholders are advised to consult an independent financial adviser duly authorised under the FSMA who specialises in advising on the acquisition of shares and other securities before making a decision to invest.**

#### **Risk factors relating to the business and operations of the Group**

The Board places a high emphasis on being risk aware. It continuously tracks 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 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 service; 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. The 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 operational problems such as server or system failures, network downtime, software performance issues or power outages could result in users being unable to access 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 is strong competition for talent in this sector, so the Group prioritises 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. The Group manages 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 finance the Group's 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.

## **Risk factors relating to the New Ordinary Shares**

### ***Investment in AIM Securities***

An investment in shares traded on AIM may be less liquid and is perceived to involve a higher degree of risk than an investment in a company whose shares are listed on the Official List. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

### ***AIM Rules***

The AIM Rules are less onerous than those of the Official List. Neither the FCA nor the London Stock Exchange has examined or approved the contents of this document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

### ***Dilution of ownership of Ordinary Shares***

Shareholders' (who are not Placees) proportionate ownership and voting interest in the Company will be reduced pursuant to the Placing. In addition, to the extent that Shareholders do not take up the offer of Open Offer Shares under the Open Offer, their proportionate ownership and voting interest in the Company will be further reduced and the percentage that their shareholdings represent of the ordinary share capital of the Company will, following Admission, be reduced accordingly. Subject to certain exceptions, Shareholders in the United States and other Restricted Jurisdictions will not be able to participate in the Open Offer.

### ***Volatility of share price***

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of innovations or new services by the Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Group, news reports relating to trends in the Group's markets, large purchases or sales of Ordinary Shares, liquidity

(or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

The following factors, in addition to other risks described in this document, may have a significant effect on the market price of the Ordinary Shares:

- variations in operating results;
- actual or anticipated changes in the estimates of operating results or changes in stock market analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- macro-economic conditions in the countries in which the Group may do business;
- foreign currency exchange fluctuations and the denominations in which the Group may conduct business and holds cash reserves;
- market conditions in the industry, the industries of customers and the economy as a whole;
- actual or expected changes in the Group's growth rates or competitors' growth rates;
- changes in the market valuation of similar companies;
- trading volume of the Ordinary Shares;
- sales of the Ordinary Shares by the Directors or other Shareholders; and
- adoption or modification of regulations, policies, procedures or programs applicable to the Group's business. In addition, if the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if such events do not directly affect the Group. Each of these factors, among others, could harm the value of the Ordinary Shares.

#### ***Future capital raisings may not be successful***

If securities or industry analysts do not publish research or publish unfavourable or inaccurate research about the business, the Company's share price and trading volume of the Ordinary Shares could decline. The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Group or its business. The Directors may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares could be negatively impacted. In the event that the Group obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Group's business, the share price would be likely to decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volume to decline.

#### ***EIS & VCT status***

The Company is a qualifying company for the purposes of the EIS. Although it is intended that the Company will be managed so that this status continues, there is no guarantee that such status will be maintained. Changes in the Company's circumstances may result in such status being withdrawn, in which case investors who had participated in the Fundraising as an EIS or VCT investment may lose the tax benefits associated with such an investment and any tax relief that has been claimed may be reduced or withdrawn.

As described in paragraphs 4 and 5 of Part I above, if the Placing Agreement does not become unconditional, the number of New Ordinary Shares that may be subscribed for under the Underwriting Agreement may result in the Concert Party's holding exceeding 50 per cent., and the Company would no longer be eligible for EIS or VCT relief.

### **Future payment of dividends**

There can be no assurance as to the level of future dividends (if any). The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors and shareholders of the Company and will depend upon, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

### **Major shareholders**

Subject to the passing of the Resolutions, the Concert Party will hold up to a maximum of 89.3 per cent. of the Company's Enlarged Share Capital. The Concert Party will be able to exercise significant influence over the Company's business strategy and those corporate actions that require approval of the Shareholders.

Subsequent sales of New Ordinary Shares by any member of the Concert Party may significantly reduce the price of New Ordinary Shares. Also, any perceived view that the Concert Party might sell substantial numbers of New Ordinary Shares could depress the price of New Ordinary Shares for an unknown period of time.

### **Valuation of shares**

The Issue Price has been determined by the Company and may not relate to the Company's net asset value, net worth or any established criteria or value. There can be no guarantee that the Ordinary Shares will be able to achieve higher valuations or, if they do so, that such higher valuations can be maintained.

### **Market perception**

Market perception of the Company may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise.

### **Suitability**

A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her. An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this document. Prospective investors are advised to consult a person authorised by the FCA (or, if outside the UK, another appropriate regulatory body) before making their decision.

## PART III

### TERMS AND CONDITIONS OF THE OPEN OFFER

#### 1. Details of the Open Offer

Subject to the terms and conditions set out below and in the Application Form, the Company invites Qualifying Shareholders to apply for Open Offer Shares at the Issue Price, payable in full in cash on application, free of all expenses, on the basis of:

#### **5 New Ordinary Shares for every 2 Existing Ordinary Shares**

held by them and registered in their names at close of business on 27 June 2016, the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held.

A Qualifying Shareholder who holds Existing Ordinary Shares in certificated and uncertificated form will be treated as having separate holdings for the purposes of calculating entitlements under the Open Offer.

Fractions of Open Offer Shares will not be allocated to Qualifying Shareholders and entitlements to apply for Open Offer Shares will be rounded down to the nearest whole number of Open Offer Shares.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Basic Entitlement, which, in the case of Qualifying non-CREST Shareholders, is equal to the number of Open Offer Entitlements as shown in Box 4 on the Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements credited to their stock account in CREST. The action to be taken in relation to the Open Offer depends on whether you receive an Application Form in respect of your Open Offer Entitlement under the Open Offer or have your Open Offer Entitlement credited to your stock account in CREST.

Qualifying Shareholders are also invited to apply for additional Open Offer Shares as an Excess Entitlement, up to the total number of Open Offer Shares available under the Open Offer. Any Open Offer Shares not issued to a Qualifying Shareholder pursuant to their Basic Entitlement will be apportioned between those Qualified Shareholders who have applied for Excess Entitlements at the sole discretion of the Board, provided that no Qualifying Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

If you receive an Application Form please refer to paragraph 3.1 of this Part III.

If you hold your Existing Ordinary Shares in CREST and have received a credit of Open Offer Entitlements to your CREST stock account, please refer to paragraph 3.2 of this Part III and also to the CREST Manual for further information on the CREST procedures referred to below.

**The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Open Offer Entitlements (in respect of Qualifying CREST Shareholders) may be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer.**

The Existing Ordinary Shares are admitted to AIM. Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective on 25 July 2016 and that dealings in the Open Offer Shares will commence at 8.00 a.m. on that date.

The Existing Ordinary Shares are already enabled for settlement in CREST. No further application for admission to CREST is required for the Open Offer Shares; all such shares, when issued and fully paid, may be held and transferred by means of CREST as Ordinary Shares.

Application has been made for the Open Offer CREST Entitlements to be enabled for settlement in CREST. The conditions to such admission having already been met, the Open Offer Entitlements are expected to be admitted to CREST with effect from 8.00 a.m. on 30 June 2016. The Open Offer Shares will be issued fully paid and will be identical to, and rank *pari passu* in all respects with, the Existing Ordinary Shares and will rank for all dividends or other distributions declared, made or paid after the date of issue of the Open Offer Shares. No temporary documents of title will be issued. Further details of the rights attaching to the Existing Ordinary Shares are set out in the Articles which are available on the Company's website.

## **2. Conditions of the Open Offer**

The Open Offer is conditional, amongst other things, on:

- (i) the passing of the Resolutions at the General Meeting; and
- (ii) Admission becoming effective by no later than 8.00 a.m. on 25 July 2016 (or such later time and/or date as Hybridan and the Company may agree, being no later than 8.00 a.m. on 29 July 2016).

If the conditions to the Open Offer are not satisfied or waived (where capable of waiver), the Open Offer will lapse and will not proceed and any applications made by Qualified Shareholders will be rejected. In these circumstances, application monies received by the Receiving Agent in respect of Open Offer Shares will be returned (at the applicant's sole risk), without payment of interest, as soon as reasonably practicable thereafter. Lapsing of the Open Offer cannot occur after dealings in the Open Offer Shares have begun.

## **3. Procedure for application and payment**

If you are in any doubt as to the action you should take, or the contents of this document, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent adviser duly authorised under the FSMA who specialises in advising on the acquisition of shares and other securities.

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether at the relevant time they have an Application Form in respect of their entitlement under the Open Offer or they have Open Offer Entitlements credited to their CREST stock account in respect of such entitlement.

If a Qualifying CREST Shareholder is a CREST sponsored member they should refer to their CREST sponsor if they wish to apply for some of their entitlement under the Open Offer, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of the Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

### **3.1 If you have an Application Form in respect of your Open Offer Entitlement**

#### **3.1.1 General**

Subject to paragraph 5 of this Part III in relation to Overseas Shareholders, Qualifying non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date. It also shows the number of Open Offer Shares for which you may apply pursuant to your Basic Entitlement (on an initial pro rata basis) as shown by the total number of Open Offer Shares allocated to you. You may apply for less than your initial pro rata entitlement should you wish to do so. You may also apply for additional Open Offer Shares by completing Boxes 7 and 8 on the Application Form relating to your Excess Entitlement.

Qualifying non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim. If the total number of Open Offer Shares applied for by all Qualifying Shareholders exceeds 703,626,325, applications for Open Offer Shares will be scaled back

at the discretion of the Directors. The instructions on the terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying non-CREST Shareholders.

### 3.1.2 *Market Claims*

Applications for the Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked "ex" for entitlement to the Open Offer by the London Stock Exchange, being 8.00 a.m. on 29 June 2016. Application Forms may be split up to 3.00 p.m. on 18 July 2016.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying non-CREST Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to 8.00 a.m. on 29 June 2016, being the date upon which the Existing Ordinary Shares were marked "ex" for entitlement to the Open Offer by the London Stock Exchange, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the transferee pursuant to the rules of the London Stock Exchange. Qualifying non-CREST Shareholders who have sold all of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into the United States, Australia, Canada, Japan or any other Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 3.2 below.

### 3.1.3 *Application procedures*

If you are a Qualifying non-CREST Shareholder and wish to apply for all or some of your entitlement to Open Offer Shares under the Open Offer you should complete and sign the Application Form in accordance with the instructions on it and send it, together with the appropriate remittance, by post to Neville Registrars Limited at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal business hours only) to Neville Registrars Limited at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, so as to arrive no later than 11.00 a.m. on 20 July 2016. A reply-paid envelope is enclosed for use by Qualifying non-CREST Shareholders in connection with the Open Offer. Please note that the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether or not you should take up your entitlement to Open Offer Shares under the Open Offer.

If any Application Form is sent by first class post or using the reply-paid envelope within the United Kingdom, Qualifying non-CREST Shareholders are recommended to allow at least four Business Days for delivery. The Receiving Agent, on the Company's behalf but only with the agreement of the Company, may elect to accept Application Forms and remittances after 11.00 a.m. on 20 July 2016 in respect of those bearing a post mark of before that date and time. The Receiving Agent may also (on behalf of the Company but only with the agreement of the Company) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it does not strictly comply with the terms and conditions of application. Applications will not be acknowledged.

The Receiving Agent, on behalf of the Company, also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 20 July 2016 from an authorised person (as defined in the FSMA) specifying the number of Open Offer Shares applied for, and undertaking to lodge the relevant Application Form in due course but, in any event, within two Business Days.

### **3.1.4 *Payments***

All payments must be in pounds sterling and cheques should be made payable to "Neville Registrars Limited a/c re Fitbug Open Offer" and crossed "A/C payee only". All payments should, where necessary, be rounded up to the nearest penny. Cheques must be drawn on an account at a branch of a bank or building society in the British Isles which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Eurocheques will not be accepted. Cheques should be drawn on the personal account to which you have sole or joint title to funds. Third party cheques will not be accepted with the exception of building society cheques where the building society has confirmed the name of the account holder (which should match the name detailed on page 1 of the Application Form) and have added the branch stamp.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest earned on such payments will accrue for the benefit of the Company. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company and/or the Receiving Agent (on the Company's behalf) may elect in their absolute discretion to treat as invalid acceptances in respect of which cheques are not so honoured. Application monies will be paid into a separate bank account pending the Open Offer becoming unconditional. In the event that the Open Offer does not become unconditional the Open Offer will lapse and application monies will be returned by post to applicants, at the applicants' risk and without interest, to the address set out on the Application Form, as soon as practicable. The interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

### **3.1.5 *Effect of application***

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- i. agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- ii. confirm that in making the application you are not relying on any information or representation other than that contained in this document, and you accordingly agree that no person responsible solely or jointly for this document or any part of it shall have any liability for any such information or representation not so contained; and
- iii. represent and warrant that if you have received some or all of your Open Offer Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim.

If you do not wish to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, you should take no action and not complete or return the Application Form. Shareholders are nevertheless requested to complete and return the enclosed forms of proxy for use at the General Meeting and AGM.

If you are in doubt whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to completion of the Application Form by Qualifying non-CREST Shareholders under the Open Offer should be addressed to Neville Registrars Limited at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, telephone 0121 585 1131 or, if telephoning from outside the UK, on +44 121 585 1131 between 9.00 a.m. and 5.00 p.m. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training

purposes. Neville Registrars cannot provide advice on the merits of the Proposals nor given any financial, legal or tax advice.

**3.2 If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer**

**3.2.1 General**

Subject as provided in paragraph 5 of this Part III in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive credits to his stock account in CREST of his Open Offer Entitlements equal to the number of Open Offer Shares for which he is entitled to apply under the Open Offer. Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlements will therefore also be rounded down. Qualifying CREST Shareholders may also apply for Open Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility.

The CREST stock account to be credited will be the account under the participant ID and member account ID which holds the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlement have been allocated.

If for any reason the Open Offer Entitlements cannot be enabled for settlement in CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 8.00 a.m. on 30 June 2016 or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited (or due to be credited) to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive an Application Form.

CREST members who wish to apply for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Neville Registrars on 0121 585 1131 (if calling from within the UK) or +44 121 585 1131 (if calling from outside the UK). Lines will be open Monday to Friday 9.00 a.m. to 5.00 p.m. excluding bank and public holidays. Calls may be recorded and monitored randomly for security and training purposes. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

**3.2.2 Market claims**

Each of the Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction.

Transactions identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlement security.

**3.2.3 USE instructions**

CREST members who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event ("USE") instruction to Euroclear which, on its settlement, will have the following effect:

- i. the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- ii. the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

**3.2.4 Content of USE instructions in respect of the Basic Entitlement**

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- i. the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to the Receiving Agent);
- ii. the ISIN of the Basic Entitlement. This is GB00BYQLLC36;
- iii. the participant ID of the accepting CREST member;
- iv. the member account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- v. the participant ID of the Receiving Agent. This is 7RA11;
- vi. the member account ID of the Receiving Agent. This is FITBUG;
- vii. the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- viii. the intended settlement date. This must be on or before 11.00 a.m. on 20 July 2016; and
- ix. the corporate action number for the Open Offer. This will be available on viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 20 July 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the contact name and telephone number (in the free format shared note field); and a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 20 July 2016 in order to be valid is 11.00 a.m. on that day.

**3.2.5 Content of USE instruction in respect of Excess Entitlements**

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- i. the number of Excess Entitlements for which application is being made;
- ii. the ISIN of the Excess Entitlements. This is GB00BYQLLD43;
- iii. the CREST participant ID of the accepting CREST member;
- iv. the CREST member account ID of the accepting CREST member from which the Excess Entitlements are to be debited;
- v. the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA11;

- vi. the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is FITBUGXS;
- vii. the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Excess Entitlements referred to in (i) above;
- viii. the intended settlement date. This must be on or before 11.00 a.m. on 20 July 2016; and
- ix. the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 20 July 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the contact name and telephone number (in the free format shared note field); and a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 20 July 2016 in order to be valid is 11.00 a.m. on that day.

### **3.2.6 *Deposit of Open Offer Entitlements into, and withdrawal from, CREST***

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as set out in an Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing so to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 20 July 2016.

In particular, having regard to normal processing times in CREST and, on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CCSS, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 18 July 2016, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 15 July 2016, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 20 July 2016.

### **3.2.7 *Validity of application***

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 20 July 2016 will constitute a valid application under the Open Offer.

### **3.2.8 *CREST procedures and timings***

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE

instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 20 July 2016. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

### 3.2.9 *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through the Receiving Agent reserves the right:

- i. to reject the application in full and refund the payment to the CREST member in question;
- ii. in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question;
- iii. in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction(s) refunding any unutilised sum to the CREST member in question.

### 3.2.10 *Effect of a valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- i. pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, satisfy the obligation of the CREST member to pay to the Company the amount payable on application);
- ii. request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association of the Company;
- iii. agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- iv. represent and warrant that he or she is not and nor is he or she applying as nominee or agent for a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (Depository Receipts) or Section 96 (Clearance Services) of the Finance Act 1986;
- v. confirm that in making such application he or she is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part of it or involved in the preparation thereof shall have any liability for any such other information and further agree that having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained therein; and
- vi. represent and warrant that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim.

### 3.2.11 *The Company's discretion as to rejection and validity of applications*

The Company may in its discretion:

- i. treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part III;

- ii. accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- iii. treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent have received actual notice from Euroclear of any of the matters specified in regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- iv. accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

#### **3.2.12 Lapse of the Open Offer**

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 25 July 2016 or such later time and date as the Company may agree, being no later than 29 July 2016, the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company

### **4. Money Laundering Regulations**

#### **4.1 Holders of Application Forms**

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent, and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment, and in accordance with the other terms as described above (the "acceptor"), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of the Open Offer Shares as referred to in the Application Form (for the purposes of this paragraph 4.1 (the "relevant shares")) shall thereby be deemed to agree to provide the Receiving Agent and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, and the verification of identity requirements have not been satisfied (which the Receiving Agent shall in its absolute discretion determine), the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the application as invalid or may confirm the allotment of the relevant shares to the applicant but (notwithstanding any other term of the Open Offer) the relevant shares will not be issued to the applicant unless and until the verification of identity

requirements have been satisfied in respect of that application (which the Receiving Agent shall in its absolute discretion determine).

If the application is treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the applicant, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchasers or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the applicant, subject to the requirements of the Money Laundering Regulations being satisfied. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied. Neither the Company nor the Receiving Agent will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of any such discretion or as a result of any sale of relevant shares. Submission of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations will not be breached by application of such remittance. If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in your application being treated as invalid or in delays in the despatch of share certificates or in crediting CREST stock accounts.

The verification of identity requirements will not usually apply:

- i. if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on the prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- ii. if the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- iii. if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the name of such applicant.

Third party cheques will not be accepted with the exception of building society cheques where the bank or building society has confirmed the name of the account holder (which must be the same name as appears on page 1 of the Application Form) on the back of the draft or cheque and have added their branch stamp.

In other cases the verification of identity requirements may apply. The following guidance is provided in order to assist in satisfying the verification of identity requirements and to reduce the likelihood of difficulties or delays and potential rejection of an application (but does not limit the right of the Receiving Agent to require verification of identity as stated above). Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- A. if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature; or
- B. if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the financial action task force (the non- European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the gulf co-operation council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide written confirmation that it has that status with the Application Form and written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the receiving agent or the relevant authority. In order to confirm the acceptability of any written assurance referred to in paragraph B above or in any other case, the applicant should contact the Receiving Agent;

- C. if (an) Application Form(s) is/are in respect of relevant shares is/are lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address; and
- D. third party payment will not be accepted.

#### **4.2 Open Offer Entitlements in CREST**

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

### **5. Overseas Shareholders**

#### **5.1 General**

The making of the Open Offer to Overseas Shareholders may be affected by the laws or regulatory requirements of the relevant jurisdiction. Overseas Shareholders who are in any doubt in this respect should consult their professional advisers. No person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form or credit of Open Offer Entitlements to a stock account in CREST, unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form or credit of Open Offer Entitlements to a stock account in CREST could lawfully be used without contravention of any legislation or other local regulatory requirements. Receipt of this document and/or an Application Form or the crediting of Open Offer Entitlements to a stock account in CREST does not constitute an invitation or offer to Overseas Shareholders in the territories in which it would be unlawful to make an invitation or offer and in such circumstances this document and/or any Application Forms are sent for information only.

It is the responsibility of any person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST outside the United Kingdom and wishing to make an application for any Open Offer Shares to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such other territory. Persons (including, without limitation, nominees and trustees) receiving an Application Form and/or receiving credits of Open Offer Entitlements to a stock account in CREST should not, in connection with the Open Offer, distribute or send the Application Form or transfer the Open Offer Entitlements into any jurisdiction when to do so would or might contravene local securities laws or regulations, including the United States and the Restricted Jurisdictions.

If an Application Form or a credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such jurisdiction or by the agent or nominee of such person, he or she must not seek to take up the Open Offer Shares except pursuant to an express agreement with the Company. Any person who does forward an Application Form or transfer the Open Offer Entitlements into any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph 5. The Company and the Receiving Agent reserve the right to reject an Application Form or transfer of Open Offer Entitlements from or in favour of Shareholders in any such jurisdiction or persons who are acquiring Open Offer Shares for resale in any such jurisdiction.

The Company and the Receiving Agent reserve the right in their absolute discretion to treat as invalid any application for Open Offer Shares under the Open Offer if it appears to the Company and the Receiving Agent and their agents that such application or acceptance thereof may involve a breach of the laws or regulations of any jurisdiction or if in respect of such application the Company and the

Receiving Agent have not been given the relevant warranty concerning overseas jurisdictions set out in the Application Form or in this document, as appropriate. All payments under the Open Offer must be made in pounds sterling.

#### **5.2 *United States***

The Open Offer Shares and the Open Offer Entitlements have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and, accordingly, may not, be offered, sold, taken up, delivered or transferred in or into the United States. Subject to certain exceptions, Qualifying Shareholders with registered addresses in, or who are located in, the United States, may not participate in the Open Offer. Neither this document nor the Application Form constitutes or will constitute or form any part of an offer or an invitation to apply for or an offer or an invitation to acquire any Open Offer Entitlements or Open Offer Shares in the United States. An Application Form will not be sent to any Shareholder located in or having a registered address in the United States. Unless otherwise agreed by the Company in its sole discretion, Application Forms sent from or post-marked in the United States will be deemed to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address for registration outside the United States. No Open Offer Entitlements will be credited to a stock account in CREST of any Qualifying Shareholder with a registered address in the United States. Unless otherwise agreed by the Company at its discretion, any person completing an Application Form or applying for Open Offer Shares will be required to represent that such person (i) is not located in the United States or any other Restricted Jurisdiction; (ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Open Offer Shares; (iii) is not exercising for the account of any person who is located in the United States, unless (a) the instruction to exercise was received from a person outside the United States and (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that it is acquiring the Open Offer Shares in an "off shore transaction" within the meaning of Regulation S (as promulgated under the Securities Act); and (iv) is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into the United States, any of the Restricted Jurisdictions or any other jurisdiction referred to in (ii) above.

#### **5.3 *Restricted Jurisdictions***

Due to restrictions under the securities laws of the Restricted Jurisdictions, and subject to certain exceptions, persons who have registered addresses in, or who are located, resident or ordinarily resident in, or citizens of, any Restricted Jurisdictions will not qualify to participate in the Open Offer and will not be sent an Application Form, nor will their stock accounts in CREST be credited with Open Offer Entitlements. The Open Offer Shares have not been, and will not be, registered under the relevant laws of any Restricted Jurisdictions or any state, province or territory of them and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdictions or to, or for the account or benefit of, any person with a registered address in, or who is located, resident or ordinarily resident in, or a citizen of, any Restricted Jurisdictions except pursuant to an applicable exemption. Subject to certain exceptions, no offer of Open Offer Shares is being made by virtue of this document and/or the Application Form into any Restricted Jurisdictions.

#### **5.4 *Jurisdictions other than the Restricted Jurisdictions***

Application Forms will be sent to Qualifying non-CREST Shareholders and an Open Offer Entitlement will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or any other Restricted Jurisdiction may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, if relevant, the Application Form.

Qualifying Shareholders who have registered addresses in or who are located or resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Open Offer Shares in respect of the Open Offer.

### **6. Taxation**

If you are in any doubt about your tax position or are subject to a tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

## **7. Admission, settlement, dealings and publication**

Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to AIM, subject to the fulfilment of the conditions of the Open Offer. It is expected that admission of the Open Offer Shares to trading on AIM will become effective and that dealings therein for normal settlement will commence at 8.00 a.m. on 25 July 2016. In the case of Qualifying Shareholders wishing to hold Open Offer Shares in certificated form, definitive certificates in respect of the Open Offer Shares will be issued free of stamp duty and are expected to be despatched by post by 5 August 2016. No temporary documents of title will be issued and, pending such despatch, transfers will be certified against the share register. Open Offer Entitlements held in CREST are expected to be disabled in all respects after close of business on 20 July 2016 (the latest time and date for applications under the Open Offer). If the conditions to the Open Offer described in this document are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied. On this day, the Receiving Agent will credit the appropriate stock accounts of such persons with such persons' entitlement to Open Offer Shares with effect from Admission (expected to be 25 July 2016). The stock accounts to be credited will be accounts under the same participant IDs and member account IDs in respect of which the USE instruction was given. Notwithstanding any other provision of this document, the Company reserves the right to send you an Application Form instead of crediting the relevant stock account with Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying non-CREST Shareholders are referred to the Application Form. The completion and results of the Open Offer will be announced and made public through an announcement on a Regulatory Information Service as soon as possible after the results are known.

## **8. Governing law**

The terms and conditions of the Open Offer as set out in this Part III and each Application Form shall be governed by, and construed in accordance with, English law. The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document and an Application Form. By taking up their entitlements under the Open Offer in accordance with the instructions set out in this document and (where applicable) an Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## **9. Other information**

Your attention is drawn to the letter from your Chairman which is set out in Part I of this document which contains, amongst other things, information on the reasons for the Placing and the Open Offer, to the Risk Factors in Part II and to the further information set out in Parts IV and V of this document.

## **10. Dilution**

Assuming the Placing completes and all of the Open Offer Shares are issued, the share capital of the Company in issue at the date of this document will be increased by approximately 562 per cent. as a result of the Fundraising. Qualifying Shareholders who do not take up any of their Basic Entitlement will suffer a reduction of approximately 85 per cent. in their proportionate ownership and voting interest in the ordinary share capital of the Company as represented by their holding of Ordinary Shares immediately following Admission. Qualifying Shareholders who take up all or part of their Open Offer Entitlement will still suffer dilution upon Admission due to completion of the Placing and the New Ordinary Shares issued pursuant to the Loan Capitalisation.

## PART IV

### FINANCIAL INFORMATION AND FURTHER INFORMATION ON THE CONCERT PARTY

#### **1. Financial information**

The following documents are incorporated by reference into this document, so as to provide the information required pursuant to the City Code:

- (i) the consolidated audited accounts for the Company for the financial year ended 31 December 2014;
- (ii) the consolidated audited accounts for the Company for the financial year ended 31 December 2015.

These documents are available on the Company's website at [www.fitbugholdings.com](http://www.fitbugholdings.com) and from the Company's registered office at Suite 5, First Floor, 5 Rochester Mews, London NW1 9JB.

Any Shareholder, person with information rights or other persons to whom this document is sent may request a copy of each of the documents set out above in hard copy form. Hard copies will only be sent where valid requests are received from such persons. To request a hard copy, please contact Richard Goodlad of Fitbug Holdings plc at [richard.goodlad@fitbug.com](mailto:richard.goodlad@fitbug.com) or on +44 (0)20 7449 4949.

The documents incorporated by reference into this document have been incorporated in compliance with Rule 24.15 of the City Code.

#### **2. Concert Party interests in the Company**

Set out below are details of the interests of the members of the Concert Party, showing the proposed Ordinary Shares to be issued pursuant to the Loan Capitalisation, along with current shareholdings, and the Concert Party's resultant holdings in the Company on the basis that the Placing Agreement does not become unconditional and that there is no participation in the Open Offer by Qualifying Shareholders or any other person, and that all the Placing Shares and the Open Offer Shares are acquired by NW1 (assuming that all the subscription rights issued to NW1 under its Loan Capitalisation Agreement are fully exercised). Further information on each member of the Concert Party is set out below the table.

	<i>Existing Shares</i>	<i>Loan Capitalisation</i>		<i>Subscription rights***</i>	<i>Following completion of the Proposals</i>		
		<i>Interest in Existing Ordinary Shares (no.)</i>	<i>Interest in Existing Ordinary Shares (%)</i>		<i>Maximum Interest in Enlarged Share Capital (no.)</i>	<i>Maximum Interest in Enlarged Share Capital (%)</i>	
NW1	14,000,000	4.97	296,000,000	1,044,426,325	200,000,000	1,554,426,325	83.49
Kifin	30,000,000	10.66	40,000,000	–	–	70,000,000	3.76
Prime Interaction	2,500,000	0.89	–	–	–	2,500,000	0.13
Allan Fisher (and family)*	17,170,000	6.10	–	–	–	17,170,000	0.92
David Turner (and family)**	18,804,999	6.68	–	–	–	18,804,999	1.01
Total Concert Party	82,474,999	29.30	336,000,000	1,044,426,325	200,000,000	1,662,901,324	89.31

\* this includes 6,280,000 Ordinary Shares beneficially owned by Jonathan Fisher, and 5,250,000 Ordinary Shares held by Relay Holdings Limited, which is wholly owned by The Watson Trust, a discretionary trust of which Allan Fisher and members of his family are beneficiaries

\*\* this includes 6,290,000 Ordinary Shares beneficially owned by Anna Turner

\*\*\* Subscription rights to the value of £500,000, exercisable at the Issue Price, to be issued pursuant to NW1's Loan Capitalisation Agreement

If the Placing Agreement becomes unconditional and is completed, the maximum number of New Ordinary Shares that can be held by NW1 and the Concert Party (including New Ordinary Shares to be issued pursuant to the Loan Capitalisation, New Ordinary Shares to be subscribed under the Underwriting Agreement and New Ordinary Shares to be issued on the exercise of subscription rights granted under the loan notes issued pursuant to NW1's Loan Capitalisation Agreement and the Underwriting Agreement) will be limited to 49.9 per cent. of the issued share capital immediately following Admission.

Kifin is the holder of £500,000 loan notes which carry conversion rights into 33,333,334 Ordinary Shares, exercisable at 1.5p per share in the period expiring on 30 June 2016. NW1 is the holder of £650,000 loan notes which carry conversion rights into 20,000,000 Ordinary Shares, exercisable at 3.25p per share in the period expiring on 31 July 2017. These loan notes form part of the loans subject to the Loan Capitalisation.

### **3. Information on each member of the Concert Party**

The Concert Party members and their respective addresses are as follows:

Name	Address
Kifin Limited	Geneva Place, 2nd Floor, 333 Waterfront Drive, Road Town, Tortola, British Virgin Islands
Prime Interaction	100, Marylebone Road, London NW15DX
David Turner	1 Village Close, Belsize Lane, Hampstead, London NW3 5AH
Mrs A Turner	3 Hornby Close, Fellows Road, London NW3 3JL
Allan Fisher	52 Northgate, Prince Albert Road, London NW8 7EH
NW1 Investments Limited	90-92 King Street, Maidstone, Kent ME14 1BH

A biography of each member of the Concert Party is set out below:

#### **Kifin Limited**

Kifin, incorporated and located in the British Virgin Islands, is a wholly owned subsidiary in the Kirsh Group's main asset is its majority investment in a large US based food and dry goods distribution enterprise. The Kirsh Group's remaining holdings consist predominantly of real estate investments. Most of the Kirsh Group's private equity holdings, including the investment in Holmes Place International ("HPI"), are examples of this practice. Kifin is the Kirsh Group vehicle that primarily holds investments in listed securities.

In 2007 HPI had the opportunity to acquire elements of the old Holmes Place Europe business and as part of the funding required for that acquisition, Mr Fisher (see further details below) approached the Kirsh Group. Mr Fisher, as a South African businessman, knew of Nathan Kirsh socially and has a family connection to Mr Kirsh. The Kirsh Group provided the funding for that acquisition and became a 30 per cent. shareholder in HPI. The Kirsh Group subsequently made a further investment into HPI taking its stake to 49.9 per cent.

The sole director of Kifin is Guardian Corporate Services Limited. Kifin's shares are held as to 25 per cent. in each of four trusts, three of which are for the benefit of Nathan Kirsh's children and one is for the benefit of the Nathan Kirsh Foundation.

#### **Prime Interaction Limited ("Prime Interaction")**

Prime Interaction, incorporated in England & Wales, was established in 2000 to provide CCTV and security systems; in 2011 its business was changed to being an investment holding company. Its directors are Barry Stiefel (who is also the manager of the Kirsh family office) and Robin Fisher. Prime Interaction's shareholders are:

Prime Interaction Holdings Limited, holding 90,000 ordinary shares

Robin Fisher, holding 5,000 ordinary shares and 4,750 A ordinary shares

JTC Limited, holding 5,000 ordinary shares, as a trustee of the Baron Settlement, a trust established in 1984 for the benefit of the Stiefel Family.

Barry Stiefel, holding 250 A ordinary shares

Prime Interaction Holdings Limited is a BVI company which is 100 per cent. owned by the Merrowdown Trust. The trustees of the Merrowdown Trust are Schindlers Reg. Treuunternehmen, Messinastrasse 30, Postfach 534, FL-9495, Triesen, Liechtenstein. Merrowdown Trust is a family trust settled by the father of Robin Fisher, and the beneficiaries are Robin Fisher and his sister and brother. Schindlers act as the corporate director of Prime Interaction Holdings Limited.

**NW1 Investments Limited (“NW1”)**

NW1, incorporated in England & Wales, was established in 2011 to facilitate the purchase of 9,060,000 Fitbug ordinary shares then held by Bupa Finance PLC (“Bupa”) as part of Bupa’s divesture of its investment in Fitbug. NW1 is an investment vehicle with the adult children of Mr Turner and Mr Fisher (being Anna Turner and Jonathan Fisher) being the two shareholders of that vehicle. Its sole director is Stewart Wenbourne. In addition to its equity investment in Fitbug, in recent years NW1 has provided investment into Fitbug by way of loan notes to the sum of £8,239,000.

**Allan Fisher**

Aged 73, Mr. Fisher is one of the founders of HPI and is a significant shareholder in HPI. He was Chief Executive of Holmes Place Plc when it floated in 1997. He was a founding shareholder and director of Fitbug, until his recent resignation.

**David Turner**

Aged 70, Mr. Turner is a co-founder of LA Fitness where he was the property and corporate development director. He 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.

Mr Turner is also a director of HPI, representing the interests of the independent shareholders in that business. He was a founding shareholder and director of Fitbug, until his recent resignation.

Mrs Anna Turner is the daughter of Mr Turner.

## PART V

### ADDITIONAL INFORMATION

#### **1. Responsibility**

- 1.1 The Directors, whose names appear in paragraph 1.3 below accept responsibility for the information contained in this Circular, other than information relating to the Concert Party and their immediate families, related trusts and persons connected with them, for which the members of the Concert Party accept responsibility. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular for which they take responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Each member of the Concert Party accepts responsibility for the information contained in this Circular relating to the members of the Concert Party and their immediate families, related trusts and persons connected with them and does so without prejudice and in addition to the Directors' responsibility statement set out in paragraph 1.1 of this Part V. To the best of the knowledge and belief of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular relating to the Concert Party is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The Directors of Company are:

Donald Stewart      (*Chairman*)  
 Anna Gudmundson (*Chief Executive Officer*)  
 Tyler Tarr            (*Finance Director*)  
 Mark Ollila          (*Non-Executive Director*)

#### **2. Share capital**

- 2.1 The issued fully paid share capital of the Company as at the date of this document, and as it is expected to be immediately following the proposed Fundraising, Loan Capitalisation, Subdivision and Admission, is as follows:

	<i>Current</i>	<i>Proposed</i>	
	<i>Ordinary Shares of 1p</i>	<i>Ordinary Shares of 0.1p</i>	<i>Deferred Shares of 0.9p</i>
Issued Share Capital	281,450,530	–	–
Following the Subdivision	–	281,450,530	281,450,530
Placing	–	340,800,000	–
Loan Capitalisation	–	336,000,000	–
Open Offer	–	703,626,325	–
<hr/>			
Enlarged Share Capital	–	1,661,876,855	281,450,530

- 2.2 As at the date of this document, 8,700,000 options to subscribe for Ordinary Shares have been granted to employees under the Company's existing share option schemes and remain outstanding.
- 2.3 Subject to completion of the Proposals, it is proposed to grant options to the Directors and other employees under the Company's new share option schemes. The grants will be made following the General Meeting, and options over approximately 12 per cent. of the Enlarged Share Capital will be granted to the Directors and other employees of the Group, exercisable at the Issue Price, at 0.35p and at 0.5p per share, subject to a minimum vesting period of three years.
- 2.4 Save as set out in paragraphs 2.2 and 2.3 above and paragraph 2.6 below, no capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- 2.5 There are £500,000 loan notes in issue, which carry conversion rights into 33,333,334 Ordinary Shares, exercisable at 1.5p per share until 30 June 2016; and £650,000 loan notes in issue which carry

conversion rights into 20,000,000 Ordinary Shares, exercisable at 3.25p per share in the period expiring on 31 July 2017.

- 2.6 Subject to completion of the Fundraising, rights to subscribe for up to 903,626,400 New Ordinary Shares may be issued, exercisable (subject to restrictions as described in paragraph 5 of Part I above) at the Issue Price for a period of five years from the date of grant.

### **3. Interests and dealings**

- 3.1 For the purposes of this paragraph 3 of Part V:

- (i) “acting in concert” means any such person acting or deemed to be acting in concert as such expression is defined in the City Code;
- (ii) “arrangement” includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;
- (iii) “associate” means:
  - (a) the parent company (if any), the subsidiaries, fellow subsidiaries and associated companies of the Company or Concert Party, as the case may be, and companies of which any such subsidiaries or associated companies are associated companies;
  - (b) connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
  - (c) the Directors or Concert Party, as the case may be, and the directors of any company covered in (b) above (together in each case with their close relatives and related trusts);
  - (d) the pension funds of the Company or Concert Party, as the case may be, or any person covered in (b) above;
  - (e) an employee benefit trust of the Company or Concert Party, as the case may be, or any company covered in (b) above; and
  - (f) a company having a material trading arrangement with the Company or Concert Party.
- (iv) “connected advisers” normally includes only the following (and will not normally include a corporate broker which is unable to act in connection with the Fundraising because of a conflict of interest):
  - (a) in relation to the Company or Concert Party, as the case may be, an organisation which is advising that party in relation to the Fundraising and a corporate broker to that party;
  - (b) in relation to a person who is acting in concert with the Company or Concert Party, as the case may be, an organisation which is advising that person either in relation to the Fundraising, or in relation to the matter which is the reason for that person being a member of the relevant concert party; and
  - (c) in relation to a person who is an associate of the Company or Concert Party, as the case may be, by virtue of paragraph (b) in the definition of “associate” above, an organisation which is advising that person in relation to the Fundraising.
- (v) “control” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the Voting Rights (as defined in the City Code) irrespective of whether the holding or aggregate holding gives *de facto* control;
- (vi) “dealings” or “dealt” includes the following:
  - (a) the acquisition or disposal of securities or the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attached to securities, or of general control of securities;
  - (b) the taking, granting acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option, (including a traded option contract) in respect of any securities;
  - (c) subscribing or agreeing to subscribe for securities;

- (d) the exercise or conversion, whether in respect of new or existing securities, any of any securities carrying conversion or subscription rights;
- (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;
- (f) the entry into or termination or variation of the terms of any agreement to purchase or sell securities; and
- (g) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;
- (vii) "derivative" includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- (viii) "disclosure date" means close of business on 28 June 2016, being the latest practicable date prior to the publication of this document;
- (ix) "disclosure period" means the period commencing on 28 June 2015 (being the date twelve months prior to the disclosure date) and ending on 28 June 2016 (being the latest practicable date prior to the publication of this document);
- (x) "interested" in securities includes if a person:
  - (a) owns them;
  - (b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
  - (c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire them or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise;
  - (d) is a party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them; or
  - (e) has long economic exposure, whether absolute or conditional to changes in the price of those securities (but a person who only has a short position in securities is not treated as interested in those securities);
- (xi) "relevant securities" includes:
  - (a) shares and any other securities in the Company or Concert Party, as the case may be, conferring voting rights;
  - (b) equity share capital of the Company or Concert Party, as the case may be;
  - (c) any securities convertible into, or rights to subscribe for the securities of the Company or Concert Party, as the case may be, described in paragraphs (b) and (c) above; and
  - (d) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and "control" means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give *de facto* control.
- (xii) "short position" means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative.

### **Directors of the Company**

- 3.2 At the close of business on the disclosure date, none of the Directors (nor any person whose interests in Ordinary Shares is taken to be interested in pursuant to Part 22 of the Act and related regulations), had any interests, rights to subscribe or short positions in Ordinary Shares.
- 3.3 As at the close of business on the disclosure date, neither the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) or any person deemed to be acting in concert with the Directors of the Company, has an

interest in or a right to subscribe for, or had any short position (whether conditional or absolute, and whether in the money or otherwise) in relation to, any relevant securities, nor had any such person dealt in any relevant securities during the disclosure period; and neither the Company nor any of the Directors nor any person acting in concert with the Company or Directors have borrowed or lent any relevant securities.

- 3.4 There are no arrangements of the kind referred to in Note 11 of the definition of acting in concert in the City Code which existed between the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) or any associate of the Company and any other person, nor have any dealings in relevant securities taken place between such parties during the disclosure period.
- 3.5 Neither the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities in any corporate member of the Concert Party (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options), any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in respect thereof.

### **Concert Party**

- 3.6 As at the close of business on the disclosure date, the members of the Concert Party had the following interests, rights to subscribe and short positions, in relevant securities of the Company:

	Percentage of Existing Ordinary Shares
	Current holding
Kifin	30,000,000
Prime Interaction	2,500,000
Allan Fisher (and family)*	17,170,000
David Turner (and family)**	18,804,999
NW1	14,000,000
<b>TOTAL CONCERT PARTY</b>	<b>82,474,999</b>
	<b>29.30%</b>

\* this includes 6,280,000 Ordinary Shares beneficially owned by Jonathan Fisher, and 5,250,000 Ordinary Shares held by Relay Holdings Limited, which is wholly owned by The Watson Trust, a discretionary trust of which Allan Fisher and members of his family are beneficiaries

\*\* this includes 6,290,000 Ordinary Shares beneficially owned by Anna Turner

Kifin is the holder of £500,000 loan notes which carry conversion rights into 33,333,334 Ordinary Shares, exercisable at 1.5p per share in the period expiring on 30 June 2016. NW1 is the holder of £650,000 loan notes which carry conversion rights into 20,000,000 Ordinary Shares, exercisable at 3.25p per share in the period expiring on 31 July 2017. These loan notes form part of the loans subject to the Loan Capitalisation.

- 3.7 The following dealings in Ordinary Shares by members of the Concert Party have taken place during the disclosure period:

Name	Date of dealing	Nature of trade	Number of Ordinary Shares	Price paid per Ordinary Share (pence)
NW1	6 August 2015	Subscription for Ordinary Shares	14,000,000	2.5

- 3.8 Save as set out in paragraph 3.7 of this Part V, during the disclosure period, there have been no dealings in relevant securities of the Company by any member of the Concert Party (including members

of their immediate families, related trusts nor any persons connected with them), any director of the Concert Party nor any person acting or deemed to be acting in concert with them.

- 3.9 Save as disclosed in paragraphs 3.6 of this Part V, no member of the Concert Party, nor any director of the Concert Party nor any person acting in concert with any member of the Concert Party had any interest in or right to subscribe for, or had any short position or any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in relation to, any relevant securities, during the disclosure period, nor has borrowed or lent any relevant securities of the Company.
- 3.10 Save as disclosed in paragraph 3.7 of this Part VI, no member of the Concert Party nor any director of the Concert Party nor any person deemed to be acting in concert with the Concert Party, has any arrangement of the kind referred to in Note 11 of the definition of acting in concert in the City Code or has dealt in any relevant securities of the Company during the disclosure period.

#### **4. Middle market quotations**

Set out below are the closing middle market quotations for the Ordinary Shares, as derived from the Daily Official List, for the first dealing day of each of the six months immediately preceding the date of this document and for 28 June 2016 (being the latest practicable date prior to the publication of this document):

<i>Date</i>	<i>Price (p)</i>
28 June 2016	0.42
1 June 2016	0.73
2 May 2016	0.53
1 April 2016	0.60
1 March 2016	0.68
1 February 2016	0.725
4 January 2016	0.875

#### **5. Director's service agreements and other arrangements with the Company**

The Directors' current service agreements, will be available for inspection as set out in paragraph 8 below and are summarised below. Otherwise than as set out below, there are no other service contracts between the Directors and the Company or any of its subsidiaries and no service contracts have been entered into nor have existing service contracts been amended during the period of six months prior to the date of this document.

- 5.1 Donald Stewart entered into an appointment letter with the Company dated 25 November 2015 for his appointment as non-executive chairman at a rate of remuneration of £60,000 per year to be reviewed after the first three months of his appointment. The agreement provides for the grant to him of options to subscribe for 1 million ordinary shares at 2p per share, which may be exercised at any time. The appointment may be terminated with immediate effect if Mr Stewart is, *inter alia*, in material breach of the agreement. On 27 June 2016 it was agreed that Donald Stewart's rate of remuneration as non-executive chairman would be reduced to £40,000 per year, with effect from 1 August 2016.
- 5.2 Anna Gudmunson entered into employment with the Company on 24 August 2015 as chief executive officer of the Company and of the Group, at a base remuneration of £180,000 per year, which may be taken in part by way of pension contribution. An additional pension contribution of £10,000 per year is payable, and there is a bonus entitlement of up to 30 per cent. of base salary, based on delivery against key performance indicators, to be judged at six month intervals. The terms of employment provide for the grant to her of options to subscribe for 5 million ordinary shares at 2.5p per share, which may be exercised at any time. The terms of employment provide for private medical insurance, and for 23 days holiday per year. The appointment is subject to termination on three months' notice by either party, which may be given at any time.
- 5.3 Mark Ollila entered into an appointment letter with the Company dated 8 January 2016 (as amended on 31 May 2016) for his appointment as a non-executive director with effect from 11 January 2016 at a rate of remuneration of US\$40,000 per year, US\$30,000 of which is payable to him as a director of

Fitbug Inc and US\$10,000 as a director of the Company. The agreement provides for the grant to him of options to subscribe for 2 million ordinary shares at 1p per share, vesting in equal tranches over 4 years. The appointment may be terminated with immediate effect if Dr Olila is, *inter alia*, in material breach of the agreement. On 27 June 2016 it was agreed that Dr Olila's aggregate rate of remuneration would be reduced to US\$30,000 per year by reducing the amount payable to him as a director of Fitbug Inc to US\$20,000 per year, with effect from 1 August 2016.

- 5.4 Tyler Tarr entered into an appointment letter with the Company dated 28 June 2016 for his appointment as part time Finance Director at an aggregate rate of remuneration of US\$30,000 per year, US\$20,000 of which is payable to him as a director of Fitbug Inc and US\$10,000 as a director of the Company. The appointment may be terminated with immediate effect if Mr Tarr is, *inter alia*, in material breach of the agreement.

## **6. Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and/or its subsidiaries during the two years preceding the date of this document, and are or may be material:

- 6.1 A loan agreement dated 4 July 2014 between the Company and NW1 relating to a loan of £1,750,000 from NW1 to the Company at an interest rate of 5 per cent. per year, repayable by 31 July 2015. The loan carries the right to participate in any capital raising by the Company.
- 6.2 A loan agreement dated 23 September 2014 between the Company and NW1 relating to a loan of £600,000 from NW1 to the Company at an interest rate of 5 per cent. per year, repayable by 31 July 2015. The loan carries the right to participate in any capital raising by the Company.
- 6.3 A variation agreement dated 25 November 2014 between the Company and NW1, whereby the repayment date of all loans from NW1 to the Company was extended to 31 July 2016.
- 6.4 A conditional placing agreement dated 9 December 2014 between the Company (1), the then directors of the Company (2), and Hybridan (3), whereby Hybridan agreed to use its reasonable endeavours, as agent for the Company, to procure placees for up to 39,002,224 ordinary shares of 1p, at 9p per share. Hybridan received a fee of 4 per cent. of the first £2 million raised, and 5 per cent. thereafter, up to £3,750,000 raised. The agreement contained certain limited warranties from the Company and the then directors in favour of Hybridan in relation to the Company and its business. In addition, the Company agreed to indemnify Hybridan in relation to certain liabilities it might incur in respect of the placing. Hybridan had the right to terminate the agreement in certain circumstances, in particular in the event of a breach of the warranties.
- 6.5 A conditional placing agreement dated 7 August 2015 between the Company and Hybridan, whereby Hybridan agreed to use its reasonable endeavours, as agent for the Company, to procure placees for up to 26,600,000 ordinary shares of 1p, at 2.5p per share. Hybridan received a fee of 5 per cent. on funds introduced by itself and 2 per cent. on funds introduced by others. The agreement contained certain limited warranties from the Company in favour of Hybridan in relation to the Company and its business. In addition, the Company agreed to indemnify Hybridan in relation to certain liabilities it might incur in respect of the placing. Hybridan had the right to terminate the agreement in certain circumstances, in particular in the event of a breach of the warranties.
- 6.6 A subscription letter from NW1 to the Company dated 7 August 2015, whereby NW1 agreed to subscribe for 14,000,000 ordinary shares of 1p at 2.5p per share and £650,000 2.5 per cent. unsecured loan notes 2017 at par, created under the loan note instrument summarised in paragraph 6.9 below. The loan notes were convertible into ordinary shares of 1p at the rate of one ordinary share per 3.25p of loan notes converted.
- 6.7 A deed of waiver of interest between NW1 and the Company dated 7 August 2015, whereby NW1 agreed to waive overdue interest on its then loans to the Company from 1 April 2015 until the date of admission of shares issued under a placing then being carried out.

- 6.8 A deed of confirmation and amendment to loan agreements between NW1 and the Company dated 7 August 2015, whereby NW1 agreed to restructure its then loans to the Company amounting to £6,939,000 so that (i) £665,500 would be repayable on 31 July 2018 (or earlier in the event of a takeover of the Company), and would carry no interest up to 31 July 2018, and (ii) £6,274,000 would be repayable by 31 July 2017 (or earlier in the event of a takeover of the Company), and would carry no interest up to 31 December 2015 and would thereafter carry interest at the rate of 2.5 per cent. above the Bank of England base rate from time to time. The deed confirmed that the loans were secured under the fixed and floating charge debenture held by NW1 over the assets of the Group.
- 6.9 A loan note instrument made by the Company dated 7 August 2015, whereby £650,000 of unsecured convertible loan notes were constituted, carrying interest at the rate of 2.5 per cent. above the Bank of England base rate from time to time, payable quarterly in arrears, provided that no interest would accrue for the period ended 31 December 2015. The loan notes are repayable on 31 July 2017. The loan notes are convertible (at the option of the holder of the notes) into ordinary shares in the Company at the rate of one ordinary share per 3.25p of notes converted.
- 6.10 A deed of waiver of interest between Kifin and the Company dated 7 August 2015, whereby Kifin agreed to waive overdue interest on its then loan to the Company of £500,000 and on £1,000,000 of loan notes held by Kifin, from 1 April 2015 until the date of admission of shares issued under a placing then being carried out.
- 6.11 A deed of amendment to a loan agreement between Kifin and the Company dated 7 August 2015, whereby Kifin agreed to reorganise the loan of £500,000 so that (i) it would be repayable on 31 July 2017 (or earlier in the event of a takeover of the Company), and would carry no interest up to 31 December 2015 and would thereafter carry interest at the rate of 2.5 per cent. above the Bank of England base rate from time to time.
- 6.12 A loan agreement dated 13 June 2016 between the Company and NW1, whereby NW1 has agreed to make a loan to the Company of £121,000, which shall be repayable by 31 July 2017 and shall carry interest at the rate of 2.5 per cent. per year over the Bank of England base rate from time to time. The agreement provides that if the Company undertakes any equity capital raising, the loan may be applied by NW1 in subscribing for new shares at the same price as such shares are offered to other investors. The agreement provides that the loan will be secured against the debenture already held by NW1. By a further agreement dated 29 June 2016, NW1 agreed to make an additional loan of £280,000 to the Company on the same terms as the loan of £121,000.
- 6.13 A conditional placing agreement dated 29 June 2016 between the Company and Hybridan, whereby Hybridan has agreed to use its reasonable endeavours, as agent for the Company, to procure placees for the Placing Shares at the Issue Price. The agreement is conditional upon, *inter alia*, the Resolutions being duly passed at the General Meeting, Admission, there not having occurred any change in any national or international financial, economic, political or market conditions which, in the opinion of Hybridan, makes it impracticable to proceed with the Placing, and there being no breach of the warranties given by the Company therein prior to Admission. Hybridan will receive a commission of 6 per cent. on the value of funds raised by it under the Placing, and funds raised through Syndicate Room Limited on the subscription of unallocated Open Offer Shares, out of which it will pay all commissions payable under the distribution agreement summarised in paragraph 6.14 below. The agreement contains warranties from the Company in favour of Hybridan in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Company and its business. In addition, the Company has agreed to indemnify Hybridan in relation to certain liabilities it may incur in respect of the Placing. Hybridan has the right to terminate the agreement in certain circumstances, in particular in the event of a breach of the warranties.
- 6.14 A distribution agreement between Syndicate Room Limited (“SR”) (1), Hybridan (2) and the Company (3) dated 29 June 2016, whereby SR has been appointed as a distribution agent to procure subscribers for unallocated Open Offer Shares. SR will receive a commission of 3 per cent. on funds raised, for its services.
- 6.15 A conditional loan capitalisation agreement dated 29 June 2016 between the Company and Kifin, whereby Kifin has conditionally agreed to capitalise £1,000,000, being the whole of its loans

outstanding to the Company, into 40,000,000 New Ordinary Shares at 2.5p per share. The agreement is conditional upon, *inter alia*, the Resolutions being passed in General Meeting and upon Admission.

- 6.16 A conditional loan capitalisation agreement dated 29 June 2016 between the Company and NW1, whereby NW1 has conditionally agreed to capitalise £7,400,000 of its loans outstanding to the Company, into 296,000,000 New Ordinary Shares at 2.5p per share. The agreement is conditional upon, *inter alia*, the Resolutions being passed in General Meeting and upon Admission. The agreement provides that, of the sum of £839,000 (being the balance of the loans outstanding to the Company from NW1 (excluding the bridging loans described in paragraph 6.12 above)), £339,000 shall be repayable on 31 July 2020 and shall carry interest at the rate of 2.5 per cent. per year over the Bank of England base rate from time to time, and £500,000 will be carried forward in the form of new secured loan notes, repayable on 31 July 2018 and carrying interest at 4 per cent. per year over the Bank of England base rate, payable quarterly. The agreement also provides that rights to subscribe for up to £500,000 of New Ordinary Shares at the Issue Price for a period of five years will be granted to NW1. These subscription rights will be exercisable, *inter alia*, only to the extent that such exercise does not result in the Concert Party's holding, or the holding of any other holder of subscription rights and any person with whom such holder of subscription rights is acting in concert (as such term is defined in the City Code), in aggregate, being over 49.9 per cent. of the Enlarged Share Capital. The subscription rights will be transferable.
- 6.17 An underwriting agreement between NW1 and the Company dated 29 June 2016, whereby NW1 has agreed to underwrite the Fundraising. The agreement is conditional on the Resolutions being passed in General Meeting and upon Admission. If the Placing Agreement becomes unconditional and the Placing is completed, NW1 will subscribe (a) for such number of Open Offer Shares as are not taken up under the Open Offer or otherwise subscribed for, up to such number of New Ordinary Shares as shall take the Concert Party's holding to, in aggregate, 49.9 per cent. of the Enlarged Share Capital, and (b) as to the balance of the underwriting obligations, for new secured loan notes, which shall be repayable on 31 July 2019 and shall carry interest at 4 per cent. per year over the Bank of England base rate, payable quarterly.

If the Placing Agreement does not become unconditional, NW1 may elect, at its sole discretion, either to satisfy its underwriting obligations by subscribing for such number of Placing Shares and Open Offer Shares so as the Concert Party's holding will be, in aggregate, 49.9 per cent., with the balance in loan notes, as described above, or by subscribing for the Placing Shares and for such number of Open Offer Shares as are not taken up under the Open Offer or otherwise subscribed for. In the latter circumstances, the number of New Ordinary Shares that may be subscribed for under the Underwriting Agreement will not be limited to 49.9 per cent..

Any loan notes issued to NW1 will carry rights, exercisable at NW1's sole discretion, to subscribe for New Ordinary Shares at the Issue Price for a period of five years from the date of issue. These subscription rights shall be equal in value to the number of loan notes that may be issued to NW1, and will be capable of being exercised immediately and will be exercisable (at NW1's sole discretion), *inter alia*, only to the extent that such exercise does not result in the Concert Party's holding, or the holding of any other holder of subscription rights and any person with whom such holder of subscription rights is acting in concert (as such term is defined in the City Code), in aggregate, reaching 50 per cent. or more of the Enlarged Share Capital. The subscription rights will be transferable.

The agreement also provides for the loans of £401,000 (made under the agreements described in paragraph 6.12 above) to be capitalised at the Issue Price as part of the underwriting obligations of NW1.

## 7. General

- 7.1 Cantor Fitzgerald has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- 7.2 Save as disclosed in this document, there is no agreement, arrangement, or understanding (including any compensation arrangement) between the members of the Concert Party and any person acting in concert with any of them and any of the Directors (or their close relatives and related trusts), recent directors of the Company, Shareholders or recent Shareholders of the Company, or any person

interested or recently interested in the Ordinary Shares, having any connection with or dependence upon the proposals set out in this document.

- 7.3 No agreement, arrangement or understanding exists whereby the Ordinary Shares which may be acquired by the Concert Party pursuant to its participation in the Open Offer and Loan Capitalisation will be transferred to any other person.
- 7.4 Save as disclosed at paragraph 7 of Part I, there are no relationships, arrangements or understandings between the Concert Party and (i) any of the Directors (or their close relatives or related trusts) and (ii) any Shareholder or any person who is, or is presumed to be, acting in concert with any Shareholder.
- 7.5 Save as disclosed at paragraphs 2, 7, 8 and 9 of Part I, there have been no significant changes in the financial or trading position of the Company since 31 December 2015, being the date to which its most recent annual financial statements were made up.

## **8. Documents available for inspection**

- 8.1 Copies of the following documents will be available for inspection at the offices of Hewitson Moorhead, Kildare House, 3 Dorset Rise, London EC4Y 8EN during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) up to and including 22 July 2016 and at the General Meeting to be held on that day, and also on the Company's website at [www.fitbugholdings.com](http://www.fitbugholdings.com):
  - (i) this document;
  - (ii) the Articles of Association of the Company;
  - (iii) the consolidated audited accounts for the Company for the financial year ended 31 December 2014;
  - (iv) the consolidated audited accounts for the Company for the financial year ended 31 December 2015;
  - (v) the Directors' service agreements and letters of appointments referred to in paragraph 5 of this Part V;
  - (vi) the material contracts referred to in paragraph 6 of this Part V; and
  - (vii) the consent letter from Cantor Fitzgerald referred to in paragraph 7 of this Part V.

# **Fitbug Holdings plc**

*(Registered in England No. 04466195)*

## **NOTICE OF GENERAL MEETING**

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at Suite 5, First Floor, 5 Rochester Mews, London NW1 9JB at 3.05 p.m. on 22 July 2016 (or as soon thereafter as the Annual General Meeting to be held on the same date shall have concluded or been adjourned) to consider and, if thought fit, to pass resolutions 1, 2 and 4 as ordinary resolutions and resolutions 3 and 5 as special resolutions. Resolution 1 will be taken on a poll accordance with the requirements of the Panel. Only the Independent Shareholders, as described in the circular to shareholders issued by the Company dated 29 June 2016 containing this notice of general meeting ("Circular"), are entitled to vote on Resolution 1.

### **RESOLUTIONS**

1. THAT the grant of a waiver by the Panel on Takeovers and Mergers, as described in the Circular, of any requirement under Rule 9 of the City Code on Takeovers and Mergers on the members of the Concert Party (as defined and described in the Circular) to make a general offer to the shareholders of the Company as a result of the participation of any member of the Concert Party in the Placing and the Open Offer (as defined in the Circular) be and is hereby approved.
2. THAT, conditional upon the passing of Resolution 1, each of the 281,450,530 ordinary shares of 1p in the capital of the Company be sub-divided into one ordinary share of 0.1p in the capital of the Company, having the same rights and being subject to the same restrictions (save as to nominal value) as the existing ordinary shares, and one Deferred Share of 0.9p each in the capital of the Company having the rights and being subject to the restrictions set out in resolution 3 below.
3. THAT, conditional upon the passing of Resolution 1, the Articles of Association of the Company be hereby amended by the deletion of Article 2.A, and the insertion in lieu thereof of the following new Article 2.A:

"2.A The Deferred Shares of 0.9p in the Company shall have the following rights and be subject to the following restrictions:

  - (i) no right to participate in or receive any dividends declared, made or paid by the Company;
  - (ii) no right to receive notice of or attend or speak or vote at any general or class meeting (other than a class meeting of the Deferred Shares) of the Company;
  - (iii) the approval of the Directors shall be required for any transfer of Deferred Shares;
  - (iv) the right on a return of assets in a winding-up to a repayment of the capital paid up on such shares after the rights of all holders of Ordinary Shares have been discharged in full and a sum of £100,000 has been paid in respect of each issued Ordinary Share in the capital of the Company, but no other right to participate in the assets of the Company; and
  - (v) the Directors shall have irrevocable authority at any time to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof, to such person as the Directors may determine as custodian thereof and to cancel and/or purchase the same (in accordance with the provisions of statute) without making any payment to or obtaining the sanction of the holders thereof and pending the transfer and/or cancellation and/or purchase to retain the certificate for such shares,

but so that none of the rights or restrictions attached to such Deferred Shares shall be or be deemed to be varied or abrogated in any way by the passing or coming into effect of any resolution of the Company to reduce its share capital and/or reduce or cancel (as the case may be) its share premium account (including a resolution to reduce the capital paid up on, and to cancel, such Deferred Shares)."

4. THAT, conditional upon the passing of Resolution 1, in substitution for existing authorities conferred on the directors to allot shares or to grant rights to subscribe for or to convert any securities into shares, the directors be authorised generally and unconditionally pursuant to Section 551 of the Companies Act 2006 as amended to exercise all the powers of the Company to allot shares and/or grant rights to subscribe for or to convert any security into shares, provided that the authority conferred by this resolution shall be limited to the allotment of shares and/or grant of rights to subscribe or convert any security into shares of the Company up to an aggregate nominal amount of £3,183,335 such authority (unless previously revoked, varied or renewed) to expire on the conclusion of the Annual General Meeting of the Company to be held in 2017 or, if earlier, 15 months after the date on which this resolution has been passed, provided that the Company may, before such expiry, make an offer, agreement or other arrangement which would or might require shares and/or rights to subscribe for or to convert any security into shares to be allotted after such expiry and the directors may allot such shares and/or rights to subscribe for or to convert any security into shares in pursuance of such offer, agreement or other arrangement as if the authority conferred hereby had not expired.
5. THAT, conditional upon the passing of Resolution 1, in substitution for existing authorities conferred on the directors to allot shares or to grant rights to subscribe for or to convert any securities into shares, and subject to the passing of resolution 4 and in accordance with section 570 of the Companies Act 2006, the directors be and are hereby generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) pursuant to the general authority conferred by resolution 3 above for cash or by way of sale of treasury shares as if Section 561 of the Companies Act 2006 or any pre-emption provisions contained in the Company's articles of association did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
  - (i) any allotment of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of equity securities in proportion (as nearly as may be practicable) to their then holdings of such securities, but subject to the directors having the right to make such exclusions or other arrangements in connection with such offer as they deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising in, or pursuant to, the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or otherwise howsoever;
  - (ii) the allotment of equity securities up to an aggregate nominal value of £340,800 (340,800,000 ordinary shares of 0.1p) in connection with the Placing (as defined in the circular to shareholders ("Circular") of which this notice forms part);
  - (iii) the allotment of equity securities up to an aggregate nominal value of £336,000 (336,000,000 ordinary shares of 0.1p) in connection with the Loan Capitalisation (as defined in the Circular);
  - (iv) the allotment of equity securities up to an aggregate nominal value of £703,627 (703,627,000 ordinary shares of 0.1p) in connection with the Open Offer (as defined in the Circular);
  - (v) the allotment of equity securities up to an aggregate nominal value of £249,281 (249,281,000 ordinary shares of 0.1p) in connection with the grant of options under the Company's share option schemes;
  - (vi) the allotment of equity securities up to an aggregate nominal value of £903,627 (903,627,000 ordinary shares of 0.1p) in connection with the grant of subscription rights (as described in the Circular);
  - (vii) the allotment (otherwise than pursuant to sub-paragraphs (i) to (vi) above) of equity securities up to an aggregate nominal value of £650,000,

such authority and power (unless previously revoked, varied or renewed) to expire on the earlier to occur of 15 months after the passing of this resolution or the conclusion of the Annual General Meeting of the Company to be held in 2017, provided that the Company may prior to such expiry make any offer, agreement or other arrangement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer, agreement or other arrangement as if the power hereby conferred had not expired.

Dated: 29 June 2016

*Registered Office:*

Suite 5  
First Floor  
5 Rochester Mews  
London  
NW1 9JB

*By order of the Board*

Filex Services Limited  
*Secretary*

*Notes:*

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.
3. 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 may photocopy the enclosed proxy form.
4. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- (a) completed and signed;
- (b) sent or delivered to the Company's Registrars, Neville Registrars Limited, at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA; and
- (c) received by no later than 3.05 p.m. on 20 July 2016.

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.

6. To change your proxy appointment, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, you may photocopy the enclosed proxy form.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

7. In order to revoke a proxy appointment you will need to inform the Company by sending a signed hard copy notice clearly stating that you revoke your proxy appointment to Neville Registrars Limited, at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by no later than 3.05 p.m. on 20 July 2016.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the meeting and voting in person.

8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company as at 6.00 p.m. on 20 July 2016 or, if this meeting is adjourned, at 6.00 p.m. on the date two business days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares

registered in their name at that time. Changes to entries on the relevant register of securities after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting 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 should refer to their CREST sponsors 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 by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Neville Registrars Limited (CREST Participant ID: 7RA11), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp 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. CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST 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, to procure that his CREST sponsor or voting service provider takes) 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 sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. Except as provided above, members who have general queries about the meeting should call the Company's registrars, Neville Registrars, shareholder helpline on 0121 585 1131 if calling within the United Kingdom or +44 121 585 1131 if calling from outside the United Kingdom. Lines are open 9.00 a.m. – 5.00 p.m. Mon–Fri.

