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CloudTag Inc. (the "Company") and the Directors whose names appear on page 9 of this document, accept responsibility, individually and collectively, for the information contained in this document and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription made pursuant to it will, under any circumstances, create any implication that there has been any change in the affairs of the Company since the date of this document or that the information in it is correct at any time subsequent to its date.

This document does not comprise a prospectus and has not been filed with the Financial Services Authority, but comprises an AIM admission document and has been prepared in accordance with the AIM Rules for Companies. Application will be made in accordance with the AIM Rules for Companies for the Ordinary Shares of the Company to be admitted to trading on AIM. It is expected that such application to AIM will become effective and that dealings will commence on 20 March 2013.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.



CLOUDTAG INC.

*(incorporated in the Cayman Islands under the Companies Law (2012 Revision)
of the Cayman Islands with registered number 242424)*

SUBSCRIPTION FOR 7,625,000 NEW ORDINARY SHARES AT 20 PENCE PER SHARE AND APPLICATION FOR ADMISSION TO TRADING ON AIM

Nominated Adviser

STRAND HANSON LIMITED

Broker

KEITH, BAYLEY, ROGERS & CO. LIMITED

The Subscription Shares being issued pursuant to the Subscription will rank equally in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the ordinary share capital of the Company after the date of issue.

The Company has no trading record. The whole of the text of this document should be read and in particular your attention is drawn to the section entitled "Risk Factors" set out in Part 2.

Strand Hanson Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser to the Company in connection with the proposed admission of the Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers 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 shares in the Company in reliance on any part of this document.

Keith, Bayley, Rogers & Co. Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange, is acting as broker to the Company in connection with the proposed admission of the Ordinary Shares to trading on AIM.

Strand Hanson Limited and Keith, Bayley, Rogers & Co. Limited are not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to their clients or for providing advice in relation to the contents of this document or the Subscription or the Admission of the Ordinary Shares to trading on AIM. No representation or warranty, express or implied, is made by Strand Hanson Limited or Keith, Bayley, Rogers & Co. Limited as to the contents of this document, without limiting the statutory rights of any person to whom this document is issued. Strand Hanson Limited and Keith, Bayley, Rogers & Co. Limited will not be offering advice, nor will they otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter. The information contained in this document is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	14 March 2013
Payment to be received from the Subscribers (other than through CREST) pursuant to the Subscription in cleared funds	5 p.m. on 19 March 2013
Admission effective and dealings in the Ordinary Shares expected to commence on AIM	8.00 a.m. on 20 March 2013
CREST accounts expected to be credited in respect of the Subscription Shares	20 March 2013
Definitive share certificates for the Subscription Shares expected to be despatched (where applicable)	3 April 2013

SUBSCRIPTION STATISTICS

Number of Existing Ordinary Shares	133,400,000
Subscription Price	20 pence
Number of Subscription Shares	7,625,000
Number of Fee Shares	6,750,000
Number of Ordinary Shares in issue on Admission	147,775,000
Market capitalisation of the Company on Admission at the Subscription Price	£29.56m
Percentage of the Enlarged Share Capital represented by the Subscription Shares	5.16 per cent.
Percentage of the Enlarged Share Capital represented by the Fee Shares	4.57 per cent.
Percentage of the Enlarged Share Capital held by the Directors at Admission	4.65 per cent.
Percentage of the Enlarged Share Capital not in public hands at Admission	55.03 per cent.
Outstanding share options	4,549,998
Gross proceeds of the Subscription	£1,525,000
Proceeds of the Subscription net of expenses	£1,111,000
ISIN	KYG2215A1076
CUSIP	G2215A 107
AIM symbol	CTAG

Note: the Subscription statistics set out above do not take account of any Ordinary Shares which may be issued pursuant to the exercise of share options details of which are set out in paragraph 13 of Part 4.

DEFINITIONS

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

Admission	the effective admission of the Enlarged Share Capital of the Company to trading on AIM in accordance with the AIM Rules for Companies.
AIM	the AIM market operated by the London Stock Exchange.
AIM Rules for Companies or AIM Rules	the rules applicable to companies whose shares are traded on AIM published by the London Stock Exchange from time to time, together with the guidance notes to such rules.
AIM Rules for Nominated Advisers	the rules applicable to nominated advisers of companies whose securities are traded on AIM, as published by the London Stock Exchange from time to time.
Articles	the articles of association of the Company from time to time.
Board	the board of directors of the Company from time to time.
CA 2006	the UK Companies Act 2006, as amended from time to time.
Chip	the semi-conductor to be incorporated in the ECG module and enclosed within the CloudTag Patch.
CloudTag Active	CloudTag Active Limited, a company incorporated and registered in England and Wales with registered number 07824765, being a wholly owned subsidiary of the Company.
CloudTag or Company	CloudTag Inc. incorporated in the Cayman Islands under the Companies Law with registered number 242424 with its registered address at 122 Mary Street, Zephyr House, P.O. Box 709, KY1-1107, Grand Cayman, Cayman Islands.
CloudTag Patch or Patch	an element of the Product which will incorporate an ECG module. It is a physiological monitor to be enclosed in ergonomically designed hardware which will be worn on the body. It will include a range of sensors and proprietary software algorithms, constructed around miniaturised circuitry on a printed circuit board, which will monitor and analyse vital sign data.
Companies Law	the Companies Law (2012 Revision) of the Cayman Islands.
CREST	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades and the holding of uncertificated securities in the United

	Kingdom administered by Euroclear UK & Ireland Limited as operator (as defined in the CREST Regulations).
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended.
CRESTCo	Euroclear UK & Ireland Limited.
Deed Poll	the deed poll dated 17 October 2012 entered into by the Depository in connection with the Depository Interest arrangements, details of which are set out in paragraph 15.1 of Part 4.
Depository	Computershare Investor Services PLC.
Development Agreement	the agreement dated 13 February 2013 and made between CloudTag Active and Isansys, as more particularly described in paragraph 14.8 of Part 4.
Directors	the directors of the Company as at the date of this document whose names are listed on page 9 of this document.
DTR or Disclosure and Transparency Rules	the Disclosure and Transparency Rules (in accordance with section 73A(3) of FSMA) being the rules published by the Financial Services Authority from time-to-time relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made.
ECG module or module	the printed circuit board within the Patch which will incorporate a Chip, a Bluetooth transceiver, battery, sensors and software to analyse data.
Enlarged Share Capital	the issued share capital immediately following Admission, comprising the Existing Ordinary Shares, the Subscription Shares and the Fee Shares.
Existing Ordinary Shares	the 133,400,000 Ordinary Shares in issue at the date of this document.
Fee Shares	the 6,750,000 new Ordinary Shares to be issued to Corvus Capital Limited, Gable Communications Limited, Strand Hanson, PBD and Alex Gilbert on Admission, as set out in paragraph 12 of Part 1.
FSA or Financial Services Authority	the Financial Services Authority of the United Kingdom.
FSMA	the Financial Services and Markets Act 2000, as amended.
Grant Thornton	Grant Thornton UK LLP, the reporting accountant and the Company's auditor.
Group	the Company and any subsidiary of the Company.

Isansys	Isansys Lifecare Limited (registered in England and Wales no: 07235507), further information on which is contained in paragraph 2 of Part 1.
KBR	Keith, Bayley, Rogers & Co Limited, the Company's broker, incorporated and registered in England and Wales with registered number 03676540.
London Stock Exchange	London Stock Exchange plc.
Official List	the official list of the United Kingdom Listing Authority.
Option Scheme	the Company's share option scheme, details of which are set out in paragraph 13 of Part 4.
Ordinary Shares	ordinary shares of 0.1 pence (one tenth of a penny) each in the capital of the Company.
Preciousbluedot or PBD	Preciousbluedot Limited (registered in England and Wales with no: 07326514), further information on which is contained in paragraph 2 of Part 1.
Product or CloudTag Product	the CloudTag Patch and User Interface with Cloud infrastructure and data storage.
Rare	Rare Limited (registered in England and Wales with no: 01905690), further information on which is contained in paragraph 2 of Part 1.
Registrar	Computershare Investor Services (Cayman) Limited.
Rule 9	Rule 9 of the Takeover Code.
Share Dealing Code	the code on dealings in the Company's securities adopted by the Company in compliance with the AIM Rules for Companies.
Shareholders	holders of Ordinary Shares.
Strand Hanson	Strand Hanson Limited, the Company's nominated and financial adviser, incorporated and registered in England and Wales with registered number 2780169.
Subscribers	subscribers for the Subscription Shares.
Subscription	the conditional subscription at the Subscription Price pursuant to the Subscription Letters.
Subscription Letters	the agreements between the Company and each of the Subscribers referred to in paragraph 14.20 of Part 4.
Subscription Price	20 pence per Subscription Share.
Subscription Shares	the 7,625,000 new Ordinary Shares which are proposed to be issued pursuant to the Subscription.
subsidiary and subsidiary undertaking	have the meanings given to them by CA 2006.

Substantial Shareholder	any person who, on Admission, holds any legal or beneficial interest directly or indirectly in 10 per cent. or more of the Enlarged Share Capital or voting rights in the Company as defined in the AIM Rules for Companies.
Takeover Code	the UK's City Code on Takeovers and Mergers.
Takeover Panel	the Panel on Takeovers and Mergers.
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland.
United Kingdom Listing Authority	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA.
User Interface	an element of the Product. It is the point of interaction between the user and a technology device, for example a smartphone or tablet. It describes the graphical, textual and auditory information the CloudTag applications present to the user, and the control sequences the user employs to control the applications.
US or United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction.
US person	a citizen or permanent resident of the United States, as defined in Regulation S promulgated under the Securities Act 1933, as amended.

References to a Part or Parts are to a part or parts of this document.

GLOSSARY

anaerobic	a living process that does not require oxygen. There are three energy-producing systems in the human body, one of which is aerobic (using oxygen), and two of which are anaerobic (not using oxygen): ATP-CP and glycolysis. For the first few seconds of exercise a person uses the ATP-CP system. This relies on stored ATP (adenosine triphosphate, the molecule that produces the energy in all living things). Another stored molecule, CP (creatinine phosphate) helps restore ATP. CP is restored aerobically (with oxygen). When a person exercises beyond the limit of his ATP-CP stores (the anaerobic threshold), the second anaerobic system is triggered: anaerobic glycolysis. This makes ATP from glucose stored in the liver and muscles. When a person exercises beyond the limits of the ATP-CP and glucose systems, the body needs to start producing energy, without oxygen, using lactic acid instead. That is anaerobic respiration.
beta test	a period in the development of hardware, software or a website where it is tested by groups of people who would be typical users.
clinical grade	equipment or data equivalent to that which would be suitable for use in connection with medical devices, such as electrocardiograms.
Cloud	an internet-based development which uses computer technology stored on servers rather than the end user's computer. End users access cloud-based applications through an internet enabled device such as a smartphone or tablet while the business software and users' data are stored on servers at a remote location.
ECG	electrocardiogram: a test to measure the electrical activity of the heart.
GPS	global positioning system: a global system of navigational satellites developed to provide precise positional and velocity data and global time synchronization for air, sea and land travel.
PCB	printed circuit board.
second screen	a term used to refer to an additional electronic device, such as a tablet or smartphone, that allows a television audience to interact with the content they are consuming. Extra data is displayed on a portable device synchronized with the content being viewed on television.
Wi-Fi	a local area network that uses high frequency radio signals to transmit and receive data over distances of a few hundred feet.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Anthony Henry Reeves (<i>Non-executive Chairman</i>) Michael Brian Victor Cudworth Hirschfield (<i>Interim Finance Director</i>) Andrew David Jackson (<i>Commercial Director</i>) Alexander Mark Butcher (<i>Non-executive Director</i>)
Company secretary	Kitwell Consultants Limited Kitwell House The Warren Radlett Hertfordshire WD7 7DU
Registered office	122 Mary Street, Zephyr House P.O. Box 709 KY1-1107 Grand Cayman Cayman Islands
Nominated and Financial Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Broker	Keith, Bayley, Rogers & Co. Limited 2nd Floor Finsbury Tower 103-105 Bunhill Row London EC1Y 8LZ
Solicitors to the Company in the UK	Fladgate LLP 16 Great Queen Street London WC2B 5DG
Solicitors to the Company in the Cayman Islands	Charles Adams Ritchie & Duckworth 122 Mary Street, Zephyr House P.O. Box 709 KY1-1107 Grand Cayman Cayman Islands
Solicitors to the Nominated and Financial Adviser	Gowlings (UK) LLP 15th Floor 125 Old Broad Street London EC2N 1AR
Auditors and Reporting Accountants	Grant Thornton UK LLP Registered Auditor Chartered Accountants Colmore Plaza Colmore Circus Birmingham B4 6AT

Registrar	Computershare Investor Services (Cayman) Limited c/o The R&H Trust Co. Ltd Windward 1 Regatta Office Park West Bay Road Grand Cayman KY1-1103 Cayman Islands
Depositary and UK transfer agent	Computershare Investor Services Plc PO Box 82 The Pavilions Bridgewater Road Bristol BS99 7NH
Company's website	www.cloudtag.com

IMPORTANT NOTICES

Investors should take independent advice and should carefully consider the section of this document headed "Risk Factors" in Part 2 before making any decision to purchase Ordinary Shares.

Unless otherwise stated, all information contained in this document is information on the Company and/or the Group.

Responsibility

The Directors and the Company accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information.

Prospective investors should not assume that the information in this document is accurate as of any date other than the date of its publication (the "**Publication Date**"). The delivery of this document at any time after the Publication Date will not, under any circumstances, create any implication that there has been no change in the Group's affairs since the Publication Date or that the information set forth in this document is correct as of any time since the Publication Date.

Prospective investors are responsible for making their own examination of the Company and the Group and their own assessment of the merits and risks of investing in the Ordinary Shares. By purchasing Ordinary Shares, prospective investors acknowledge that:

- they have reviewed this document; and
- no person has been authorised to give any information or to make any representation concerning the Company, the Group or the Ordinary Shares other than as contained in this document. If given or made, any such information or representation should not be relied upon as being authorised by the Company.

The Company is not providing prospective investors with any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares.

No incorporation of contents from the Company's website

The contents of the Company's website, including any websites accessible from hyperlinks on the Company's website, do not form part of this document.

Overseas investors

No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Ordinary Shares nor should he in any event acquire, subscribe for or purchase Ordinary Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the UK wishing to acquire, subscribe for or purchase Ordinary Shares should satisfy himself that, in doing so, he complies with the

laws of any relevant territory, and that he obtains any requisite Governmental or other consents and observes any other applicable formalities.

Restrictions on offer and sale

This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or acquire, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful. The Ordinary Shares are being offered and sold only outside the United States in reliance on Regulation S under the US Securities Act of 1933, as amended (“Securities Act”). The Ordinary Shares have not been, nor will they be, registered or qualified for sale under the applicable securities laws of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa and may not be offered or sold to any national, resident or citizen of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa. Neither this document, nor any copy of it, may be sent to or taken into the United States, Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. In particular, this document may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever, and in particular may not be forwarded to any US address. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Company is not responsible for prospective investors’ compliance with these legal requirements.

Industry and market data

Certain information relating to market share, ranking and other industry data contained in this document is based on independent industry publications, reports by market research firms or other published independent sources. The Company has not independently verified market share, ranking or other industry data from such third party sources. The Company cannot assure prospective investors that any of these statements are accurate or correctly reflected.

Defined Terms

Except for certain names of natural persons and legal entities and capitalised terms that need no further explanation, the capitalised terms used in this document, including capitalised abbreviations, are defined or explained in the Definitions and Glossary sections starting on pages 4 and 8 respectively.

Currency

Unless otherwise indicated, all references in this document to “GBP”, “£”, “pounds sterling”, “pounds”, “sterling”, “pence” or “p” are to the lawful currency of the United Kingdom.

Status of Product development

The CloudTag Product is still in the early stages of development. In this document, reference to the Product’s capabilities refer to the Board’s expectation of its future capabilities and should not be taken as a guarantee that such performance will be achievable.

PART I

INFORMATION ON THE COMPANY

1. Summary

Introduction

This paragraph 1 contains a summary of certain information appearing elsewhere in this document and should be read as an introduction to this document only. It should be read in conjunction with the more detailed information and financial information appearing elsewhere in the document. Any decision to invest in Ordinary Shares should be based on consideration of this document as a whole. **Prospective investors should consider the factors and risks attaching to an investment in the Ordinary Shares and in particular the risk factors set out in Part 2.**

The Company was incorporated on 22 June 2010 in the Cayman Islands. CloudTag has engaged highly experienced industry leaders from the fields of software and hardware technology development, medical innovation and professional fitness to develop, market and sell a physiological monitoring technology to the professional sports, consumer wellbeing and weight-loss markets.

The Product

The CloudTag Product will combine clinical grade data collection technology and digital hardware to be worn as a patch on the body, with software applications and Cloud infrastructure. Together, these will provide a wireless physiological monitoring technology that will record and supply live, clinical grade data to users, in real-time, via a bespoke software application and User Interface which has been and continues to be developed by Preciousbluedot which will be accessible via internet enabled devices such as smartphones and tablets.

The Directors believe that CloudTag will provide the only available current means for users to track live physiological data of clinical grade quality in real-time and view it alongside contextual information, such as previous training sessions or different training conditions. Coaches and fitness professionals will be able to track this live physiological data, regardless of geographical location, assuming a cellular data signal or Wi-Fi connection. This feature, combined with the setup of the software and Cloud infrastructure, will allow coaches and fitness professionals to build training programmes which the users can download to their CloudTag application. Through trend analysis of a user's performance, the technology may be able to estimate levels of fatigue and aid in the prediction of adverse events, which are identifiable through cardiac and respiratory vital signs and which may cause injury during training or exercise.

Initial sales are expected to be made via a major UK high street retailer, both online and in store, and through a number of additional smaller UK retailers. It is intended that further sales will be sought under reseller contracts, through major 'weight-loss' firms, professional fitness organisations and the large fitness chains. Each of the distinct market segments will have its own route to market.

To date, CloudTag has signed a binding term sheet with Isansys for the development and supply to the Company of device and system technology, developed a beta version of the software application and User Interface and it has been independently verified that the different components of the product can be integrated into a working model.

Product Positioning

CloudTag will combine a bespoke, high-technology software application and user-interface developed by Preciousbluedot, with new and innovative developments.

Subscription

The Company has, conditional upon Admission, raised £1,525,000 (before expenses) by way of the Subscription. The Subscription is conditional on the Company receiving the Subscription proceeds in full and Admission taking place on or before 31 March 2013.

2. The Product

The full product offering will comprise three elements: the Patch, the User Interface and Cloud data storage. These elements will combine to provide a physiological, wireless, monitoring technology that will record information and supply live, clinical grade data to users in real-time on a smartphone, tablet or other internet enabled devices.

How it works

The CloudTag Patch will be worn by the user, activating the Chip to monitor multiple live physiological data feeds. These physiological parameters include, among others, live beat-to-beat heart rate and live breath-to-breath respiration rate. The Patch and mobile device, using CloudTag's bespoke software application and User Interface, will collate this raw data and present it to the user as an engaging graphical interface accessible on devices such as a computer, smartphone or tablet, as well as other internet enabled devices from where the data may be sent to the Cloud using mobile networks or Wi-Fi. For appropriate markets the Product may include GPS data such as distance travelled, speed and altitude via a mobile device.

The CloudTag Patch

The CloudTag Patch will be a vital-sign monitor. It will include a system for intelligent wireless body monitoring, that facilitates real-time vital sign data acquisition and analysis by automating the continuous monitoring of multiple physiological readings.

Unlike other currently available traditional heart rate monitors for the sports, consumer wellbeing and weight loss markets, the Patch will have sensors and proprietary software algorithms that enable data accuracy standards equivalent to those generated by a much larger bench-top, medical diagnostic instrument. The main component of the Patch will be the Isansys ECG module comprising a small, ultra low power sensor interface, microcomputer, wireless transceiver and embedded software that analyses the ECG in real time. This is the same module as employed in the Isansys LifeTouch Sensor, an approved medical device used for continuous wireless patient monitoring in hospitals. The low power requirements of the ECG module allow for a small power source that can be recharged via a micro-USB, inductive mat or a similar technology, and therefore results in a small and lightweight Patch. The circuitry and sensors will be contained in a PCB, itself enclosed within the Patch. The ECG modules will be supplied under contract by Isansys, an English company based in Oxford, which specialises in the development and sale of patient monitoring technologies that are clinically validated, wireless, remote and which operate continuously.

The Patch and mobile device may augment the monitored physiological data with the inclusion of GPS data such as distance travelled, speed and altitude, such data being transmitted wirelessly and in real-time, assuming a cellular signal or Wi-Fi connection, to the bespoke User Interface. The Patch will also provide a data store for training environments where immediate upload of the data to a mobile phone, tablet or laptop is not possible.

The Product will be able to monitor up to 17 different parameters, thereby allowing different versions of the Product to have varying degrees of functionality. The key parameters will be:

- Heart Rate
- Respiration Rate
- Physical Activity Energy Expenditure (Calories/Kg/Hour) calculated algorithmically from other primary data monitored by the Patch

- Speed and distance travelled (when GPS is included)
- Anaerobic Threshold

The User Interface

The User Interface presents a bespoke software application where the complexity of the clinical grade vital sign data transmitted from the Patch will be analysed and translated into an engaging graphical interface, which maintains data integrity. The Directors believe that the simplicity of the User Interface will make it more accessible to the consumer market. The software application and User Interface, which are in beta test stage, have been developed by Preciousbluedot, a company founded in 2010 by two former executives of Rare, Mark Betteridge and Lee Musgrave, both of whom have extensive experience in developing engaging interfaces from complex data. Mr Musgrave is a Non-executive director of CloudTag Active, the Group's operating subsidiary.

The User Interface will allow the user to input additional contextual data, such as exercise equipment or footwear, which is not tracked by the Patch. This contextual information can be used to enhance the analysis of the physiological data, for example the effects of training at different altitudes and weather conditions, as well as allowing comparisons to historical training sessions stored in the user's personal area in the Cloud.

Through the User Interface, it will be possible to download training programmes, designed by a leading UK fitness professional, Matt Roberts, a consultant to the Company. Furthermore, coaches and fitness professionals will be able to remotely track the live physiological data via the User Interface (subject to an internet connection), regardless of their geographical location relative to the user wearing the Patch.

The architecture of the User Interface has been developed on an inherently flexible engine to cater for all areas that the Directors have identified as possible applications of the technology. The software application will be tailored to the different requirements of the sports and performance, wellness and weight-loss markets.

Rare was founded in 1985 and by 1994 had become the first western company in which Nintendo, the Japanese multinational consumer electronics company, invested as a second-party software developer. The Directors believe that Rare was one of the most successful video game companies in the 1990s, achieving critical acclaim for their releases, which included Donkey Kong Country, GoldenEye 007 and Perfect Dark. The company was acquired by Microsoft for \$375 million in 2002 and the original Rare team, including Mark Betteridge as Studio Head, went on to develop the Microsoft Xbox Kinect software technology and Microsoft Xbox avatar interfaces, thereby demonstrating their experience in developing engaging and, in the case of the Xbox Kinect, designing revolutionary user interfaces.

All intellectual property relating to the User Interface is owned by the Company, as described in the Preciousbluedot software development agreement summarised in paragraph 14.3 of Part 4.

The Cloud

All data, physiological and contextual, from the user's current and historical sessions will be stored remotely on the CloudTag internet servers in a secure environment. The data stored in the Cloud can be accessed through the software application and User Interface by any authorised subscriber, including a personal trainer or coach with an internet enabled device, from any location.

The record of historical data allows the software application to create a profile for that user, analysing changes over time for factors such as fitness levels and training regimes. Through further trend analysis the software can display estimated levels of fatigue during training and aid in the prediction of adverse events likely to cause injury during training or exercise.

The server-based Cloud storage solution will be required to handle the uploading and retrieval of large amounts of vital sign data and contextual information. CloudTag intends to use Amazon's industry leading cloud platform which is available "off the shelf" and which is built on a highly reliable, scalable and low cost infrastructure. The pay-as-you-go pricing model provides an effective way of scaling costs in line with increasing demand.

The entire Amazon cloud platform is built to be extremely resilient by taking advantage of multiple geographic locations to deliver performance on a global scale. This makes it an ideal choice for developing applications that can be deployed quickly and can be scaled easily.

3. Product development

As described above, the Product will comprise of the CloudTag Patch, the User Interface and a Cloud software application. Since raising seed capital in late 2011 and early 2012, the Group has entered into various agreements with specialist suppliers to develop the Product.

Isansys has agreed to develop the ECG module, and extend its functionality to include Bluetooth and Bluetooth connectivity, a rechargeable battery and an accelerometer and to incorporate those developments into its LifeTouch Sensor (a body-worn wireless sensor). The ECG module will include embedded software to interpret data from its sensors. The development and testing work is expected to last approximately five months from Admission. CloudTag Active will not pay for the hardware development work and it is intended that, once fully developed and tested, Isansys will supply modules to CloudTag Active at prices to be agreed but for no more than cost plus an agreed maximum margin. CloudTag Active will also pay royalties as described in paragraph 14.8 of Part 4. Isansys has agreed not to supply technology for products competing with the Product for 12 months following delivery of the initial order and thereafter, provided that more than 25,000 units of the Product are ordered each year. Further details of the Development Agreement, which currently is in the form of a term sheet with binding and non-binding provisions, are set out in paragraph 14.8 of Part 4. The parties have agreed to use their best endeavours to agree a binding, definitive agreement within 90 days of the date of the Development Agreement.

In March 2012, CloudTag Active signed a software development agreement with Preciousbluedot, further details of which are set out in paragraph 14.3 of Part 4. Under the agreement, PBD has developed the user interface and software application for CloudTag Active. The software has been developed to enable the data from the Patch to be analysed for display in the User Interface. The software is in beta stage whereby the through flow of data from the original device to Cloud to interface has been implemented and tested. Alongside this a complete range of analytical functionality has been developed and all key user-interface elements are in place. Remaining development will be focussed on narrowing this range of functionality to target the initial sales market as described in paragraph 5 below and to interface, via Bluetooth, with the CloudTag Patch.

Once the ECG module has been fully developed, a prototype of the Patch will undergo trials with professional fitness instructors, facilitated by Matt Roberts. These trials are expected to be completed during the third quarter of 2013. The Company has determined that the Patch might be worn in different positions for different sectors of the market, for example either as a sticking plaster or incorporated into clothing.

On 13 December 2012, CloudTag Active entered into an agreement with Seymour-Powell Ltd for creative design and consultancy services under which the latter will produce a design format for the Product. Seymour-Powell Ltd is a design and innovation company with a global presence. The agreement is summarised in paragraph 14.9 of Part 4.

Product commercialisation

Following Admission, the Group expects to take the following steps to bring the Product from its beta stage to commercial launch:

	Product development	Sales and marketing
Product and strategy finalisation	<ul style="list-style-type: none"> • Optimise the technical features of the Patch as required by the target markets. • Development of the module by Isansys and integration of the module into the Patch. • Completion of design concept development. • Optimise the requirements of the User Interface for the target markets. • Complete the Cloud and server development. • Complete the optimisation of the User Interface features for the target markets. • Complete final Product testing of the Patch, Cloud and User Interface. • Identification of suitable manufacturers based on final Product design. 	<ul style="list-style-type: none"> • Development of sales and marketing strategy to bring the Product to its target markets. • Progress ongoing discussions with suitable distributors/retailers and partners based on the sales and marketing plan. • Begin sales and marketing campaign, if appropriate.
Launch	<ul style="list-style-type: none"> • Engage manufacturers and commence production. • Launch the User Interface and Cloud. • Deliver finished Product to distributors/retailers and/or partners. 	<ul style="list-style-type: none"> • Engage distributors/retailers and/or partners.

Product Approvals

It is intended that the Product will, in due course, feature the Kitemark logo from the British Standards Institution (“BSI”) which means the Product will be independently tested by the BSI. Products and services are assessed by BSI Product Services to ensure that they meet the requirements of the relevant British and European trade associations or international specifications or standards. In addition, delivery of the product is audited against an accredited quality management system. Once any Kitemark licence is issued, licensees are regularly audited and are subject to surveillance visits to ensure continuing compliance.

It is intended that the CloudTag product will be CE marked, utilising Isansys technology in the LifeTouch Sensor which has already been CE marked. CE marking is a key indicator of a product’s compliance with EU legislation and assists the free movement of products within the European market. By affixing CE marking on a product, a manufacturer is declaring, on its sole responsibility, conformity with all of the legal requirements to achieve CE marking and therefore ensuring validity for that product to be sold throughout the EEA, the 27 member states of the EU and European Free Trade Association countries – Iceland, Norway, Liechtenstein and Turkey.

CE marking means that, before being placed on the market, the manufacturer has verified that the product complies with all relevant essential requirements (eg. health and safety requirements), of the applicable directive(s) and thus satisfies the legislative requirements. To comply with CE marking the manufacturer must:

- identify the essential requirements of the product category directive(s) applicable to the product;
- test the product to check conformity to these requirements, and if stipulated by the directive, commission an independent conformity assessment;
- draw up and maintain technical documentation to support this product conformity; and
- affix the CE marking to the product and submit an EC Declaration of Conformity.

4. Business model

The Board believes that the key revenue opportunities for the Product are:

- sales of the Product in the markets described in paragraph 5 below;
- sales of monthly subscriptions for the Cloud-based CloudTag application and User Interface;
- reseller contracts through large fitness chains, weight-loss firms and professional fitness organisations; and
- sales of bespoke platforms to professional sports teams.

Identified future revenue opportunities include:

- the health insurance industry;
- government, security forces and first responders;
- broadcast media data and consumer "second-screen" viewing; and
- non-human hosts such as racehorses or pastoral herds.

The Board does not envisage the Company manufacturing the Product. Instead, the Product design has been contracted out to Seymour-Powell Ltd which has also agreed to assist in the identification of an appropriate third party manufacturer.

Marketing and Sales

Initial sales are expected to be made via a major UK high street retailer, both online and in store, and through a number of smaller UK retailers. Further sales will be sought through contracts with major 'weight-loss' firms, professional fitness organisations and large fitness chains.

Sales and marketing will be coordinated by Commercial Director, Andrew Jackson, and Consultant, Matt Roberts, both of whom have many years' experience in successfully bringing fitness products to market. Profiles of Mr Jackson and Mr Roberts are set out in paragraph 13 below.

The Product is expected to be priced competitively with existing products on the market and will not be priced significantly higher than the most popular, traditional, heart rate or fitness products. Subscriptions for Cloud access will be similarly competitively priced.

Distribution

The Directors intend to use Andrew Jackson's and Matt Roberts' established contacts with distributors in over 40 countries, with an emphasis on the US, European and Asian markets. Distribution opportunities will also be explored with major health brands.

5. The Market

As the number of people seeking a healthier lifestyle expands, the customer base for sports-performance monitors is growing in size and sophistication. The increasing awareness of, and concern about, obesity and its consequential damaging medical implications is augmenting the market for sports and fitness monitors. The issue is being addressed on both a consumer level, where individuals are investing in healthier lifestyles, and on an institutional level, through government health guidelines and corporate wellness programmes.

Many makers of low-end products have attained market share by focusing on consumers pursuing an active lifestyle and by offering easy-to-use products that provide simple data parameters to encourage exercise. This demographic has become an increasingly important target market for sports-performance monitor manufacturers.

A recent InMedica report titled, "The World Market for Sports-Performance Monitors" forecasts that the market for strapless fitness/heart-rate monitors would grow at the expense of traditional chest-strap monitors from 8.9 per cent. of the market in 2008 to 11.8 per cent. in 2012. As the market for strapped heart-rate monitors starts to mature, the Directors believe that the growing number of consumers seeking a healthy lifestyle will drive the demand for easy-to-use strapless models. Global revenues from sales of strapless fitness/heart-rate monitors were forecast to more than double in size to \$87.5 million between 2008 and 2012.

A complementary report conducted in 2012 by IMS Research, "Are Dedicated Sports and Fitness Monitors Still in the Running?", found that 62.3 per cent. of respondents from a total sample of 400 individuals from the UK and USA with a smartphone, interested in sports and fitness applications and who exercised at least once week, were prepared to purchase sensors to monitor performance and enhance the sports and fitness application on their smartphone. In addition, approximately 82 per cent. of these respondents suggested they would pay up to £90/\$140 for a complementary sensor.

The Board believes that there are four initial potential markets for different versions of the Product.

- **CloudTag Weight Loss** – for those wishing to monitor everyday activity, the Directors intend that the CloudTag Product will support and motivate the user towards achieving weight loss. The product for this market will comprise a single User Interface offering easy to use functionality and a simplified range of data analysis and contain a range of support materials to assist in the weight loss process. The Directors expect that some users will subscribe to the Cloud for data storage and retrospective analysis;
- **CloudTag Wellness** – for the general fitness enthusiast and gym user who wishes to improve general fitness levels or performance. It is intended that the Product will provide a single User Interface showing a wide range of data capture and analysis. It will be provided with a range of programmes from professional trainers such as Matt Roberts available for download to support improved fitness and health gains, allowing the individual to utilise the data effectively to achieve optimum results. The Directors expect that many users will subscribe to the Cloud for data storage and retrospective analysis;
- **CloudTag Sport and Performance I (Challenge)** – for those individuals training for a challenge/charity event or sport. Building on the functionality of the CloudTag Wellness and with access to a wide range of data analysis, it will provide a greater ability to engage with the User Interface, developing training programmes specific to the

event/sport. The Directors anticipate that all users will subscribe to the Cloud for data storage and retrospective analysis; and

- **CloudTag Sport and Performance II (Elite)** – building on CloudTag Sport and Performance I, for elite athletes and sports men and women. Specific analysis will be available for individual athletes or sports teams. The Directors expect that all users will subscribe to the Cloud for data storage and retrospective analysis.

In addition to the above, CloudTag Sport and Performance will be available through a group interface, allowing a trainer or coach to analyse current and retrospective team performance. The coach interface would allow a range of live data comparisons for the elite athlete and sports men and women.

Finally, further opportunities are being explored with health insurance companies which may involve the tailoring of versions of the above products to suit their policy requirements and reward schemes. This is particularly appropriate for the single user versions of the product.

Future market opportunities, which may be achieved by applying CloudTag technology in alternative ways, include:

- the potential for data to be streamed directly to television and broadcast media for inclusion in live or recorded sports coverage, thereby allowing spectators an unprecedented physiological insight into athletes or teams; and
- the application of sensors to animal hosts, and therefore the potential to target a number of groups focused on animal fitness, including racehorse owners, veterinary practitioners and pastoral farmers.

6. Competition

The Company is entering a developed market, but the Board believes that CloudTag's products will have a number of advantages over existing sports-performance monitors. These advantages are expected to be:

- the device will be an unobtrusive and wireless device that is easy to use and re-use;
- it will offer a wide range of physiological monitoring, not simply heart rate;
- increased accuracy of the parameters monitored by the Product in comparison to existing, traditional sports and fitness monitors;
- clinical grade quality data;
- an engaging User Interface to view, analyse and break down this complex data; and
- a high barrier to entry through the investment in the development of the bespoke software application and User Interface.

Despite these competitive advantages, the Company faces very significant competition from existing market participants including, but not limited to, Polar, Garmin and Nike. Each of these businesses, in addition to a number of others, has significant financial and technical resources, market presence and well known brand names.

Polar Electro Oy ("Polar") is a long established Finnish company that markets and sells a wide range of heart-rate based monitors. Polar employs 1,200 people worldwide, has 26 subsidiaries globally and manages a distribution network supplying over 35,000 retail outlets in more than 80 countries. Garmin Limited (Nasdaq: GRMN) is the world's leading mobile navigation technology company and a global manufacturer of in-car satellite navigation devices, portable navigation devices, handheld GPS units and GPS products for the marine, aviation, outdoor and fitness sectors. Garmin produces a series of sports watches incorporating heart rate monitors.

Sportswear manufacturer, Nike, sells a range of sports watches and performance monitors including the recently launched Fuelband.

7. Financial information

Between its incorporation, in June 2010, and April 2012 the Company raised seed capital of £593,000 to fund its working capital requirements, which principally comprised development costs. The Group has no outstanding indebtedness other than to trade creditors incurred in the ordinary course of business.

Part 3(a) contains historical financial information on the Group for the period to 30 September 2012 and Part 3(b) contains an accountant's report on that information. A pro forma statement of the Group's financial position following completion of the Subscription is set out in Part 3(c).

8. Current trading and prospects

To date the Group has developed the User Interface to a beta stage and developed a prototype of the Patch. It has also entered into an agreement for the design of the production version of the Patch. The Group anticipates progressing the strategy set out under the heading "Product Commercialisation" in paragraph 3 with a view to making the Product capable of being launched on a commercial basis, at which time the Group will assess the most appropriate method of financing such commercialisation. This may take the form of one or a combination of debt, equity or strategic partnerships.

9. Details of the Subscription and use of proceeds

The Company is proposing to issue 7,625,000 Subscription Shares pursuant to the Subscription at the Subscription Price to raise £1,525,000 before expenses (approximately £1,111,000 net of expenses). At the Subscription Price, the Company will have a market capitalisation of £29.56m on Admission.

The net proceeds of the Subscription, together with Group's existing cash resources, will be used to complete the final stages of development of the Product and to bring it to a Product launch stage.

The Subscription Shares will represent approximately 5.16 per cent. of the Enlarged Share Capital of the Company following Admission, be fully paid and rank equally in all respects with the Existing Ordinary Shares and the Fee Shares, including for the payment of any dividends or other distributions declared, made or paid following Admission.

The Subscription is conditional on the Company receiving the Subscription proceeds in full and Admission taking place on or before 31 March 2013. Further details relating to the Subscription letters is set out in paragraph 14.20 of Part 4.

Dealings in the Ordinary Shares on AIM are expected to commence on 20 March 2013. Subscribers will have their CREST accounts credited on the day of Admission. Where Subscribers have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post not later than 3 April 2013.

10. Introduction Agreement

The Company, the Directors and Strand Hanson have entered into the Introduction Agreement under which Strand Hanson has, conditionally, agreed to act as the financial adviser to the Company and the nominated adviser to the Company for the purposes of the AIM Rules and to make an application, on behalf of the Company, for Admission. The Introduction Agreement is conditional upon, among other things, Admission occurring by 20 March 2013 and in any event by no later than 30 April 2013. The agreement contains warranties and indemnities from the Company, the Directors and the directors of CloudTag Active. Strand Hanson may

terminate the Introduction Agreement at any time before Admission if, among other reasons, any of the warranties is found to be untrue or inaccurate in any material respect.

Further details of the Introduction Agreement are set out in paragraph 14.19 of Part 4.

11. Lock-in and orderly market arrangements

Each of the Directors and the directors of CloudTag Active, who in aggregate will hold 8.54 per cent. of the Enlarged Share Capital, and certain Shareholders, who in aggregate will hold 55.03 per cent. of the Enlarged Share Capital, have undertaken to the Company and Strand Hanson that, except in certain limited circumstances as provided for in the AIM Rules, they will not dispose of any interest in the Ordinary Shares held by them for a period of 12 months from the date of Admission and, for the 12 months following that period, that they will only dispose of their holdings with the consent of the Company's nominated adviser from time to time.

In addition, Shareholders who, on Admission, will hold 8.29 per cent. of the Enlarged Share Capital have agreed not to dispose of any interest in their Ordinary Shares for 90 days following Admission.

Further details of the lock-in and orderly market agreements are set out in paragraphs 14.22 and 14.23 of Part 4.

12. Fee Shares

Admission will trigger the rights of certain parties to be paid fees which are to be capitalised and settled by the allotment and issue of new Ordinary Shares. Details of the Fee Shares are set out in paragraphs 14.3, 14.19, 14.21, 14.25 and 14.26 of Part 4.

Admission of the Fee Shares to AIM, which is conditional upon Admission, is expected to take place on 20 March 2013.

The Fee Shares will represent approximately 4.57 per cent. of the Enlarged Share Capital following Admission, be fully paid and rank equally in all respects with the Existing Ordinary Shares and the Subscription Shares, including for the payment of any dividends or other distributions declared, made or paid following Admission.

13. Directors, senior management and consultants

The composition of the Board of the Company is as follows:

- **Anthony (Tony) Reeves**, aged 72, is the Company's Non-executive Chairman. He has over 45 years' experience in the recruitment sector and is currently the Non-Executive Chairman of Kellan Group plc, the AIM listed recruitment business. Prior to this, he was Chairman and chief executive officer of the hotgroup plc from 2001 until its acquisition by Trinity Mirror Group plc in 2005. Previously, he was Chairman and chief executive officer of the Delphi Group plc until 2001 when it was acquired by Adecco SA. Before joining Delphi Group Plc, he was Chairman, President and chief executive officer of Lifetime Corporation, which was then a public company listed on the New York Stock Exchange. He is also a private investor in various early stage companies and is a vice president of Chelsea Football Club.
- **Andrew Jackson**, Commercial Director, aged 49, is one of the UK's leading experts in the leisure market, as well as the creator of FitClub and 10 Minute Gym. The 1993 UK Fitness Leader of the year and the 1994 Fitness Excellence award winner, Andrew has been a sought after consultant and public speaker, accepting engagements in over 30 countries. Andrew was previously the Global Commercial Director of FitPro, a professional network of 168,000 personal trainers, where he was responsible for bringing in excess of 20 products to market. Mr Jackson will have responsibility for sales and marketing.

- **Michael Hirschfield**, Interim Finance Director, aged 49, qualified as a Chartered Accountant with Peat Marwick in 1988. He has a BSc in Economics and has held senior management positions with a number of companies including group finance director of Utilitec plc and group finance executive of Lupus Capital plc. He is currently a director of Sirius Petroleum plc and Tri-Star Resources plc, both of which are admitted to and traded on AIM. He is also on the boards of a number of private companies including Kitwell Consultants Limited, which acts as company secretary to the Company and several other AIM traded companies. He will take overall responsibility for financial matters until such time as a permanent, full time finance director is appointed. Upon such appointment it is expected that Mr Hirschfield's directorship and employment will cease although Mr Hirschfield has agreed to continue in an executive capacity, if required, to ensure an orderly handover. Kitwell Consultants Limited, a company owned and controlled by Mr Hirschfield, will, it is envisaged continue to act as the Company's company secretary.
- **Mark Butcher**, aged 54, is a Non-executive Director. Up until 30 June 2012 he was a director of GPG (UK) Holdings plc, which was the UK investment arm of Guinness Peat Group plc where he managed a significant proportion of that group's investments. He qualified as a Chartered Accountant in South Africa and has wide experience in international accounting, corporate finance and banking transactions. He is currently a Non-executive Director of AssetCo plc and has previously been on the Boards of Autologic Holdings plc, Newbury Racecourse plc and Nationwide Accident Repair Services plc.

The CloudTag Active board will comprise the members of the Company's board, whose biographies appear above, plus the following:

- **Lee Musgrave**, Non-executive Director, aged 39, joined Rare, after completing a BSc in Cognitive Psychology, in 1995. He held various positions over the following 16 years at Rare including Lead Artist, Art Director, Head of Technical Art and finally Head of Art for the studio, directing a 70 strong team to design and create digital interactive entertainment. Following Microsoft's acquisition of Rare in 2002, Lee was a leader of the Xbox Kinect development team and Xbox Avatar interface. Lee was a co-founder of Preciousbluedot and is currently employed by that Company.
- **Pantelis Georgiou**, Non-executive Director, aged 33, received a M.Eng. degree in Electrical and Electronic Engineering in 2004 and a Ph.D. in 2008, both from Imperial College London. He then moved to the Institute of Biomedical Engineering where he was appointed as a Research Fellow until joining the academic faculty in 2011. His research includes bio-inspired circuits and systems, complementary metal oxide semiconductor based lab-on-chip technologies and application of micro-electronic technology to create novel medical devices. He conducted pioneering work on the silicon beta cell and is now leading the project forward to the development of the first bio-inspired artificial pancreas for Type I diabetes. He is a member of the Institute of Electrical and Electronic Engineers ("IEEE") and the Institution of Engineering and Technology. He has been elected a member of the BioCAS Technical Committee of the IEEE Circuits and Systems Society.

The boards of the Company and CloudTag Active will be able to draw on the expertise of Matt Roberts as a consultant:

- **Matt Roberts** is a leading personal trainer. Mr Roberts kick-started the personal-training phenomenon, opening the first-ever personal training centre in London in 1995. He has vast experience of current fitness/lifestyle products. Mr Roberts is the author of a range of best-selling books dedicated to health, fitness and nutrition, published by Dorling Kindersley. These include 90 Day Fitness Plan, Fitness for Life Manual, Fat Loss Plan and a series of mini-books 'Bums and Tums', 'Thin Thighs', 'Muscle Up' 'Six-Pack Abs' and 'Fit

For Your Shape'. 'The Fat Loss Plan' DVD was launched by Universal Pictures UK in January 2002. Mr Roberts's latest book 'I Will Make You Fit Fast' was published by Quadrille Publishing in May 2011. Under his consultancy agreement with the Company, which is summarised in paragraph 14.12 of Part 4, Mr Roberts will assist the Company through the provision to the Company of his expertise in the field of consumer health and wellbeing, and will assist in making introductions to his contacts in those fields.

The Board will monitor its composition on an ongoing basis with a view to ensuring that it has the relevant skills and experience for the Group's needs. It is anticipated that further appointments will be made at finance director level and other executive and non-executive positions as the business develops.

14. Corporate governance

The Board is committed to maintaining high standards of corporate governance and, in so far as is practicable and appropriate given the Company's size and nature, ensuring that the Company is in compliance with the QCA Corporate Governance Guidelines for AIM companies.

The Company has adopted the Share Dealing Code for the Directors, employees and future Directors and employees and will take steps to ensure compliance by the Board and any relevant employees with the terms of the Share Dealing Code.

The Company has established an audit committee and a remuneration committee that will meet at least twice a year. The audit committee, chaired by Mark Butcher, will consider the integrity of the financial statements of the Company, including its annual and interim accounts; the effectiveness of the Company's internal controls and risk management systems; auditor reports; and terms of appointment and remuneration for the auditors. The remuneration committee, chaired by Anthony Reeves until a further non-executive director is appointed, has as its remit the determination and review of, amongst others, the remuneration of executives on the Board and any share incentive plans of the Company.

The Directors have implemented such other corporate governance procedures as they believe are required for the Board to comply with the terms of the QCA Corporate Governance Guidelines for AIM companies which are considered appropriate given the size and structure of the Company.

The Directors have established financial controls and reporting procedures which are considered appropriate given the size and structure of the Company following the Subscription and Admission. It is the intention of the Directors that these controls will be reviewed in the light of the Group's development and adjusted accordingly.

15. Share option scheme

The Directors believe it important that directors, employees and consultants of the Company are appropriately and properly motivated and rewarded. To this end, the Company has established the Option Scheme under which the options set out in paragraph 13 of Part 4 have been granted to certain of the Directors and certain employees and under which eligible persons will be invited to participate at the discretion of the remuneration committee.

Under the Option Scheme, shares under option will be limited in total to 15 per cent. of the Company's issued share capital from time to time.

16. Dividend policy

The Ordinary Shares rank equally for all dividends and other distributions declared, paid or made in respect of the ordinary share capital of the Company. The Company has not paid any dividends since incorporation.

It is the current intention of the Directors to retain any earnings arising from the Group's activities to fund its working capital needs and to achieve capital growth. Accordingly, they do not intend to pay dividends in the immediate future. The declaration and payment by the

Company of any future dividends and the amount of them will depend upon the Company's financial condition, future prospects, profits legally available for distribution and other factors deemed by the Board to be relevant at that time.

17. The Takeover Code

The Company is not resident in the UK, the Channel Islands or the Isle of Man and it is therefore not currently subject to the Takeover Code. Investors should note that the Takeover Code including and, in particular, the protections afforded by Rule 9 of the Takeover Code, will not apply to the Company.

Whilst the Company is not a company to which the Takeover Code applies, the Articles contain equivalent provisions that reflect those contained in Rule 9 of the Takeover Code. Such provisions bind Shareholders but can be dis-applied by the Directors. Further details are set out in paragraph 10.6 of Part 4.

Rule 9 of the Takeover Code normally requires any person (or group of persons acting in concert) that acquires shares which, taken together with shares already held, carry 30 per cent. or more of the voting rights of a company to offer to acquire the balance of the equity share capital of such company. Rule 9 of the Takeover Code also normally requires any person who, together with persons acting in concert with him, holds between 30 per cent. and 50 per cent. of a company's voting rights and who acquires additional shares which increases his holding of voting rights to make such a mandatory offer.

It is possible that future editions of the Takeover Code may apply to the Company, either in whole or part, in which case the Company will make an announcement regarding its revised status under the Takeover Code.

18. Settlement, dealings and CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. CRESTCo is unable to take responsibility for the electronic settlement of shares issued by companies in certain non-UK jurisdictions.

Depository Interests allow paper stock in such non-UK jurisdictions to be dematerialised and settled electronically through CREST. The paper-based stock is transferred to a nominee company that then issues the Depository Interests to the individual Shareholder's CREST account on a one-for-one basis and provides the necessary custodial service. The Depository Interest can then be traded and settlement will be within the CREST system in the same way as any other CREST security.

The Company has adopted the Depository Interest facility operated by the Depository so that Shareholders have the choice of whether they want to hold their Ordinary Shares in certificated or uncertificated form. Shareholders who elect to hold their Ordinary Shares in uncertificated form through the Depository Interest facility will be bound by the terms of the Deed Poll.

The Company's share register which will be kept by the Registrar and in relation to depository interests will show the nominee company, Computershare Company Nominees Limited, as the holder of the Ordinary Shares but the beneficial interest will remain with the Shareholders who hold the depository interests and who will continue to receive all the rights attaching to the Ordinary Shares as they would have if they had themselves been entered on the register. The Depository Interests will be traded and settled via the CREST system. Shareholders can withdraw their Ordinary Shares back into certificated form at any time using standard CREST messages.

Conversion into and transfers of Depository Interests are subject to stamp duty or stamp duty reserve tax, as appropriate, in the normal way.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Subscribers that have asked to hold their Ordinary Shares in uncertificated form will have their CREST accounts credited with Depositary Interests on the day of Admission. Where Subscribers have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within 14 days of the date of Admission. No temporary documents of title will be issued. Pending the receipt of definitive share certificates in respect of the Subscription Shares (other than in respect of those Subscription Shares settled via Depositary Interests through CREST), transfers will be certified against the register.

Application will be made for the Enlarged Share Capital to be admitted to AIM. It is expected that Admission will take place and dealings in the Enlarged Issued Share Capital will commence on 20 March 2013.

19. Taxation

Information regarding certain taxation considerations in the United Kingdom is set out in paragraph 21 of Part 4. These details are, however, intended only as a general guide to the current position under UK taxation law. If you are in any doubt as to your tax position you should consult an appropriate professional adviser immediately.

20. Further information

Your attention is drawn to the further information set out in:

Part 2 of this document relating to risk factors;

Part 3 of this document setting out historical financial information, an accountants' report on the Group and a pro forma statement of the Group's financial position; and

Part 4 of this document setting out statutory and general information on the Company.

PART 2

RISK FACTORS

The investment detailed in this document may not be suitable for all its recipients and involves a higher than normal degree of risk. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

An investment in the Company constitutes a high risk investment and prospective subscribers for Ordinary Shares should carefully evaluate the factors below. An investment in the Company should be regarded as speculative and, given the inherent illiquidity of the Company's proposed underlying assets, should be considered long term in nature and as suitable only for sophisticated investors who understand the risks involved including the risk of a total loss of capital.

In addition to the other relevant information set out in this document, the Directors consider that the following specific risk factors, which are not set out in any particular order of priority, should be taken into account when evaluating whether to make an investment in the Company:

1. Risks specific to the Company

Limited operating history and uncertainty of future revenues

CloudTag has a limited operating history and, accordingly, Shareholders will have a limited basis on which to evaluate the Group's ability to achieve its business objectives:

The future success of the Group is dependent on the Directors' ability to implement its strategy. Whilst the Directors are optimistic about the Group's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved.

The Group faces risks frequently encountered by new companies. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on key executives

The performance of the Group will depend heavily on its ability to retain the services and personal contacts of the Directors and consultants to the Group and to recruit, motivate and retain further suitably skilled personnel. The loss of the services of key individuals may have an adverse effect on the business, operations, customer relationships and results of operations.

Development of the Product

As set out in paragraph 3 of Part 1, CloudTag's development of the Product is ongoing. There are a number of steps, including, but not limited to, the development and testing of the ECG module, the design of the Patch, User Interface and Cloud infrastructure and agreeing a manufacturing process, to be completed before the Product can be launched. The completion of these steps may take longer than the Directors currently anticipate and/or issues may arise during the process which may delay or prevent the launch of the Product.

Certain aspects of the technology the Group is using require further development and trials to prove their efficacy before they can be commercialised. In particular, the module requires

further development to commercialise the existing product and the User Interface is only at the beta-test stage. Those development and testing efforts may take longer than planned and may suffer significant or even terminal setbacks or delays, despite having previously achieved promising results. If the Group experiences significant delays or terminal setbacks in its development of its technologies or product applications and consequently in its programme for launching the Product, the Group's financial results and the commercial prospects for such technologies or products may be impaired.

Reliance on third-party contractors

The Group will rely on third parties to program, manufacture, assemble and test its products and its failure to successfully manage relationships with these contractors could in turn damage CloudTag's relationships with customers, decrease anticipated sales and limit growth.

In particular, CloudTag will rely on the Development Agreement signed with Isansys for the delivery of ECG modules required for the Patch to function. As set out in paragraph 14.8 of Part 4, the Development Agreement includes both binding and non-binding provisions. The parties have agreed to use their best endeavours to agree a binding, definitive agreement within 90 days of the date of the Development Agreement. Prior to that agreement being agreed and signed, there is no binding commitment on the part of Isansys to either develop or supply the ECG modules. The Directors are satisfied that the risk to the Company (of Isansys failing to develop and supply the ECG modules) to be small because Isansys is not charging for its development work and will only recover its costs if it sells ECG modules to the Group. Before a binding agreement can be entered into the price at which modules are to be supplied will have to be agreed and there can be no guarantee such agreement can be reached, although the parties have agreed the parameters of the price (being cost plus an agreed maximum margin).

The Company cannot guarantee that modules will be supplied on a timely basis or at all or on commercially acceptable terms. Further, the Company cannot guarantee that there will not be a prolonged disruption in the supply of the modules. In the event of any such delay or failure the reputation of the Group may be damaged amongst its customers and the Group's anticipated turnover, profits and future business and prospects may be materially adversely effected.

If the Group decides to, or is required to, switch its supplier of modules, for whatever reason, the replacement chips, if available, may have different functionality or may not integrate with the User Interface without significant additional development work which could be costly and time consuming for the Group.

It is intended that the Cloud platform will be hosted externally by Amazon. CloudTag cannot guarantee that there will not be any disruption in the availability or performance of the Cloud platform, or the terms on which it is being made available, which could have a material adverse effect on the Group and its business and prospects.

Likely dependence on a few key retailers

Initially at least, CloudTag is likely to depend on a few key retailers for a substantial majority of its sales and the loss of, or a significant reduction in orders from, any of them would likely significantly reduce its anticipated turnover.

Legal and contractual risks

CloudTag Active has entered into a number of significant contractual arrangements with third parties in connection with the Product and the development of certain product applications. There is no guarantee that it will be able to enforce any or all its rights under such agreements or arrangements.

CloudTag Active may be subject to claims by others that its products infringe the intellectual property rights of others. These claims, whether or not valid, could require the Group to spend significant sums of money on resulting litigation, the payment of damages, or the acquisition of licences to third-party intellectual property. If CloudTag Active needs to acquire a third-party licence, it may not be able to secure it on commercially reasonable terms, or at all.

Product not working as expected

There are a number of risks that the Product may not perform to its stated specification. Potential risks include, but are not limited to:

- a hardware and/or software malfunction in the CloudTag Patch;
- a software malfunction in the User Interface;
- a software or hardware malfunction in the Cloud; and
- an issue with attaching the Patch to the body.

Markets/market acceptance

Whilst the Directors believe that the markets for the Group's product applications will grow, there can be no guarantee that the target markets will develop as envisaged or that consumers will replace their existing devices (such as those produced by Polar and Garmin) with the Product. The Group may need to commit greater resources to support the expected growth in its target markets than has been budgeted for and it is therefore possible that the Group may have resource constraints on its ability to achieve its stated objectives.

CloudTag may seek to obtain additional capital in the future and may not be able to do so at commercially acceptable rates or at all

The Company believes that, following the Subscription, it will have sufficient working capital for its present requirements, that is for the 12 months from Admission. CloudTag's development and marketing of the Product and an increase in support, sales and marketing personnel will require a significant commitment of capital by the Group. In particular, once the Product is capable of being launched, it is expected that the Group will require additional working capital to finance these activities. In addition, once sales commence if the Company fails to attain market share, it may generate lower operating profits or incur operating losses which could result in a need for additional capital. A delay in launching the Product could have a negative impact on working capital. As a result of any of these factors, the Company may be required, or could elect, to seek additional funding. If the Company seeks to raise additional funds, it may not be able to do so on favourable terms, or at all. If the Company cannot raise funds on acceptable terms, it may not be able to develop or enhance its products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. In such event, the Group's business may be seriously harmed.

Impact of negative press

The Company cannot guarantee that those parties that currently or will endorse its products have not conducted themselves in the past and will not conduct themselves in the future in such a way as to bring negative publicity upon the Company. Equally, the Company cannot guarantee that a major customer has not committed or will not commit an action that attracts negative publicity to the Company. There is the risk that either of the above situations, or any Product failure, may be of a high profile nature and therefore result in the business and prospects of the Group suffering a material adverse effect.

Risk of not obtaining or losing approvals

The Product will need additional radio testing in order to be sold in the US and certain Asian markets. Whilst the Directors do not anticipate that this testing will be problematic, the testing

may create a delay in launching the Product in the US and Asia and will also incur additional costs.

The Directors consider obtaining a British Standards Institute Kitemark for the Product to be desirable. If that approval is not obtained, that may damage the business and prospects of the Group. Similarly, the Directors believe that being able to mark the Product as CE compliant is desirable, and in some markets necessary, and therefore a failure to be CE compliant is likely to damage the business and prospects of the Group.

2. Industry risks

Product liability

The Group may become exposed to product liability risks arising from the use of its technology in consumer products which, if not adequately covered by insurance, may have a material adverse effect upon the Group's financial condition.

Competition/competing technology

The markets in which the Group expects to operate are competitive and fast moving and may become even more competitive. There can be no guarantee that the Group's competitors (which include companies with significant technical and financial resources, as set out in paragraph 6 of Part 1) will not develop similar or superior technology or offer superior product applications or services to the Group's target markets which may render one or more of CloudTag's technologies or intellectual property rights obsolete and/or otherwise uncompetitive. Technologies used by the Group may have a shorter commercial life than anticipated, if any, due to the invention or development of more successful technology or applications by competitors who may have greater financial, marketing, operational and technological resources than the Group.

There can be no assurance that new technology will not emerge to threaten the Group's technology. The Group must respond promptly, cost effectively and sufficiently to the challenges of technological change and competitors' innovations and there can be no assurance that it will be successful in doing so.

Risks relating to use of cloud based applications

Data generated by the Product will be stored on the Cloud. Risks associated with Cloud computing include possible threats to data security and the theft of data by cyber-criminals. The Directors believe that they have mitigated these risks by choosing an established service provider such as Amazon for the Group's Cloud computing needs. Nevertheless, a loss of data or other failure of the Cloud infrastructure could harm the Group's business.

3. Risks relating to Cayman Islands incorporation

The Company is a company limited by shares incorporated in the Cayman Islands under the Companies Law. There are a number of differences between the Company and a public limited company incorporated in England and Wales under the UK Companies Act 2006 and set out below is a description of the principal relevant differences.

Takeovers: the Companies Law does not contain provisions similar to those in the Takeover Code which, among other things, oblige a person or persons acquiring at least 30 per cent. of voting rights in a company to which the Takeover Code applies, to make an offer to acquire the rest of the voting rights. The Articles, however, have been amended to incorporate provisions with similar effect but the Directors have the power to dis-apply those provisions. It is, however, possible that in the future the Takeover Code may apply to the Company.

Disclosure of interests in shares: under the Companies Law, shareholders are not obliged to disclose their interests in a company in the same way as shareholders of certain public companies incorporated in the United Kingdom are required to do. In particular, the Disclosure

and Transparency Rules do not apply. The Articles have been amended to incorporate provisions equivalent to those contained in the DTRs, but may be amended by a resolution of the shareholders.

Your attention is drawn to the summary of Cayman Islands law in paragraph 8 of Part 4.

As the Company is a Cayman Islands registered company, the rights of Shareholders will be governed by Cayman Islands law and the Memorandum and Articles of Association of the Company. The rights of Shareholders under Cayman Islands law may differ from the rights of shareholders of companies incorporated in other jurisdictions.

4. Risks relating to AIM and the Ordinary Shares

AIM

The Enlarged Share Capital will be admitted to AIM and it is emphasised that no application is being made for admission of any of the Ordinary Shares to the Official List or to any other stock exchange at this time. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Further, the London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised for the purposes of FSMA who specialises in the acquisition of shares and other securities.

Liquidity and possible price volatility

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Group's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares in the Company may be influenced by a number of factors, some of which may pertain to the Group and others of which are extraneous. These factors could include the performance of the Group's business, changes in the amount of distributions or dividends, changes in the Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions.

The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Investors may realise less than the original amount invested.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an investment in the Group than in a company whose shares are quoted on the Official List.

5. Other risks

Taxation

It should be noted that the information contained in paragraph 21 Part 4 relating to taxation may be subject to legislative change.

The Company's tax residency is yet to be determined. It is not certain that the Company will be treated as being outside the remit of taxation in the United Kingdom. If the Company does

become tax resident in the United Kingdom or in another “onshore” jurisdiction with a higher corporation tax rate than low-tax or no-tax “offshore” jurisdictions (such as the Cayman Islands) and to the extent that the Company does generate taxable profits, those profits will be reduced by taxation to a greater extent by being onshore than being offshore.

Economic climate

The trading activities of the Group will, to a certain extent, be dependent on the economic environment. The current adverse economic environment may have a detrimental effect on trading activity.

Conflicts of interest and influence of principal shareholders

On Admission, Osuna Limited and Corvus Capital Limited (which are not connected with each other) will own approximately 20.96 per cent. and 19.49 per cent. respectively in aggregate of the Enlarged Share Capital. Accordingly, these shareholders may be in a position to exert significant influence over the outcome of matters relating to the Company, including the appointment of the Company’s board of directors and the approval of significant change-of-control transactions. In addition, this control may have the effect of making certain transactions more difficult without the support of such shareholders and may have the effect of delaying or preventing an acquisition or other change in control of the Company.

Forward looking statements

This document contains certain forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this document, including statements regarding the Company’s future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements. Generally, the forward-looking statements in this document use words like “anticipate”, “believe”, “could”, “estimate”, “expect”, “future”, “intend”, “may”, “opportunity”, “plan”, “potential”, “project”, “seek”, “will” and similar terms. The Company’s actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described in this Part 2 and elsewhere in this document. Investors are urged to read this entire document carefully before making an investment decision. The forward-looking statements in this document are based on the beliefs and assumptions of the Directors and information only as of the date of this document, and the forward-looking events discussed in this document might not occur. Therefore, investors should not place any reliance on any forward-looking statements. Except as required by law, the Directors undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future earnings, or otherwise.

The risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Company is exposed or all those associated with an investment in the Company. In particular, the Company’s performance is likely to be affected by changes in the market and/or economic conditions and in legal, accounting, regulatory and tax requirements. There may be additional risks that the Directors do not currently consider to be material or of which they are currently unaware.

If any of the risks referred to in this Part 2 materialise, the Company’s business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its shares could decline and investors may lose all or part of their investment.

PART 3(a)

HISTORICAL FINANCIAL INFORMATION

The financial information set out below of CloudTag Inc. and its subsidiary undertaking, CloudTag Active Limited for the 16 month period ended 30 September 2011 and the year ended 30 September 2012 has been prepared by the Directors of the Company on the basis set out in Note 1.

The accompanying notes represent an integral part of the financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 16 month period ended 30 September 2011 and the year ended 30 September 2012

	Notes	Year ended 30 September 2012 £'000	Period ended 30 September 2011 £'000
Administrative expenses		(660)	(10)
Total administrative expenses		(660)	(10)
Loss from operations and loss before taxation	4	(660)	(10)
Taxation	5	—	—
Loss after taxation		(660)	(10)
Other comprehensive income		—	—
Total comprehensive loss for the period attributable to the equity holders of the company		<u>(660)</u>	<u>(10)</u>
Loss per share			
Total basic and diluted (pence per share)	6	<u>(0.71)</u>	<u>(0.20)</u>

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

For the 16 month period ended 30 September 2011 and the year ended 30 September 2012

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 June 2010	—	—	—	—
Issue of shares	5	—	—	5
Transactions with owners	<u>5</u>	<u>—</u>	<u>—</u>	<u>5</u>
Loss for the period and total comprehensive income	—	—	(10)	(10)
At 30 September 2011	<u>5</u>	<u>—</u>	<u>(10)</u>	<u>(5)</u>
Issue of shares	129	459	—	588
Share issue costs	—	(41)	—	(41)
Transactions with owners	<u>129</u>	<u>418</u>	<u>—</u>	<u>547</u>
Loss for the year and total comprehensive income	—	—	(660)	(660)
At 30 September 2012	<u>134</u>	<u>418</u>	<u>(670)</u>	<u>(118)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011 and 2012

	Notes	2012 £'000	2011 £'000
ASSETS			
Current assets			
Trade and other receivables	7	107	—
Cash and cash equivalents		142	—
		<u>249</u>	<u>—</u>
Total assets		<u>249</u>	<u>—</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	134	5
Share premium		418	—
Retained earnings		(670)	(10)
		<u>(118)</u>	<u>(5)</u>
Equity attributable to the owners			
Current liabilities			
Trade and other payables	8	367	5
		<u>367</u>	<u>5</u>
Total liabilities		<u>367</u>	<u>5</u>
Total equity and liabilities		<u>249</u>	<u>—</u>

CONSOLIDATED CASH FLOW STATEMENT

For the 16 month period ended 30 September 2011 and the year ended 30 September 2012

	Year ended 30 September 2012 £'000	Period ended 30 September 2011 £'000
Operating activities		
Loss after taxation	(660)	(10)
Liability settled by an issue of shares	11	—
Increase in trade and other receivables	(7)	—
Increase in trade and other payables	362	5
	<u>(294)</u>	<u>(5)</u>
Net cash outflow from operating activities		
Financing activities		
Proceeds from issue of shares	477	5
Share issue costs	(41)	—
	<u>436</u>	<u>5</u>
Net cash inflow from financing activities		
Increase in cash and cash equivalents	142	—
Cash and cash equivalents at beginning of year/period	—	—
	<u>142</u>	<u>—</u>
Cash and cash equivalents at end of year/period		
	<u>142</u>	<u>—</u>
Represented by:		
Cash at bank	142	—
	<u>142</u>	<u>—</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION FOR THE 16 MONTH PERIOD ENDED 30 SEPTEMBER 2011 AND THE YEAR ENDED 30 SEPTEMBER 2012

1 PRINCIPAL ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands which do not prescribe the adoption of any particular accounting framework. The Board has therefore adopted and complied with International Financial Reporting Standards as adopted by the European Union (IFRS).

The historical financial information of the Company and its subsidiary (together the "Group") presents the results of the Group for the 16 month period to 30 September 2011 and the year ended 30 September 2012

The principal accounting policies applied by the Group in the preparation of the historical financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Measurement basis

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(b) Going concern

Cash flows forecasts have been prepared, which assume no revenue is generated by the Group, which demonstrate that following the subscription for share capital, the Group has sufficient working capital for a period of at least 12 months from the date of this historical financial information. The subscribers for the share capital have all formally confirmed their subscriptions.

(c) Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities.

Unrealised gains on transactions between the Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. The acquisition cost is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer and excludes any transaction costs. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

(d) Adoption of new or amended IFRS

At the date of authorisation of this financial information, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below although these are not expected to have a material impact.

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) or by the International Financial Reporting Interpretations Committee (IFRIC):

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (IASB effective date 1 January 2012, not yet adopted by the EU)
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Government Loans – Amendments to IFRS 1 (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)

(e) Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit and loss.

Deferred taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries, joint ventures and associates is not provided if reversal of these temporary differences can be controlled by the Group and it is probable the reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit and loss. Changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is recognised in other comprehensive income are charged or credited in other comprehensive income, and current and deferred tax that relates to items that are recognised in equity is recognised directly in equity.

(f) Research and development

Research expenditure is written off as incurred. Expenditure on a development project will be written off as incurred unless the following conditions are met:

- a) it is for a new or substantially improved product or process;
- b) it is technically feasible;
- c) it is commercially feasible, and with a high probability that recovery of the costs will take place;
- d) there is the availability of adequate technical, financial and other resources to complete the development and to use or sell the product; and
- e) there is the intention to complete the product and use or sell it.

For a project meeting all of the above criteria, subsequent costs will be capitalised and amortised through administrative expenses from the date the product or process is available for use, on a straight line basis over the product's estimated useful life.

(g) Financial assets

The Group's financial assets include cash and other receivables, which are classified as loans and receivables.

All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs.

Loans and receivables are subsequently measured at amortised cost. Other receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivable. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank demand deposits, together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less from the date of acquisition.

(i) Equity

The share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issue of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period results as disclosed in the consolidated statement of comprehensive income.

(j) Financial liabilities

The Group's financial liabilities include trade and other payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

All financial liabilities are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in profit and loss.

(k) Foreign currencies

The consolidated financial statements are presented in UK Sterling, which is also the functional currency of the parent company. Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss.

(l) Segmental reporting

As the Group has not traded during the year, management have not identified any operating segments. Management will review the operating segments during the forthcoming year.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The directors do not consider they have made any estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year.

In applying the Group's accounting policies, the key judgement the directors have made is whether to capitalise development costs. They have not capitalised development costs on the grounds that they are, at this stage, uncertain whether the development costs will be fully recovered.

3 CAPITAL MANAGEMENT

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- to provide an adequate return to shareholders;
- to support the Group's stability and growth;
- to provide capital for the purpose of strengthening the Group's risk management capability; and
- to provide capital for the purpose of further development of the Group.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and to maximise equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected developments for the Group's products. The management regards capital as total equity and reserves, for capital management purposes.

4 LOSS BEFORE TAXATION AND SEGMENTAL INFORMATION

Loss before taxation

The loss before taxation is attributable to the principal activities of the Group.

The loss before taxation is stated after charging:

	Year ended 30 September 2012 £'000	Period ended 30 September 2011 £'000
Research and development costs expensed	388	—
Fees payable to the Company's auditor for the audit of the Company financial statements	10	—
Fees payable to the Company's auditor for other services	22	—
	<u> </u>	<u> </u>

The Group incurred no staff or director's costs in either the year ended 30 September 2012 or the period ended 30 September 2011.

The parent Company's loss for the financial year ended 30 September 2012 amounted to £145,574 (2010: £9,770).

Segmental information

As described under Segmental Reporting in the Principal Accounting Policies, Management currently identifies only one operating segment.

The Group currently has no trading activities but will reconsider operating segments following implementation of the investment strategy and commencement of trading.

5 TAXATION

The tax credit for the year is as follows:

	Year ended 30 September 2012 £000	Period ended 30 September 2011 £000
Loss for the year/period before taxation	(660)	(10)
	<u>(660)</u>	<u>(10)</u>
Tax rate	26.5%	28%
Expected tax credit	(175)	(3)
Non UK losses	39	3
Loss not assessable for tax	136	—
	<u>—</u>	<u>—</u>
Actual tax expense	<u>—</u>	<u>—</u>

The Group has tax losses in the UK of approximately £514,000 (2011: £nil) available for offset against future operating profits. The Group has not recognised any deferred tax asset in respect of these losses due to the uncertainty of when they will be utilised.

6 LOSS PER SHARE

	Year ended 30 September 2012	Period ended 30 September 2011
Loss on ordinary activities after tax (£'000)	(660)	(10)
	<u>(660)</u>	<u>(10)</u>
Weighted average number of shares for calculating basic loss per share	93,349,589	5,000,000
	<u>93,349,589</u>	<u>5,000,000</u>
Basic and diluted loss per share (pence)	(0.71)	(0.20)
	<u>(0.71)</u>	<u>(0.20)</u>

7 TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Other receivables	107	—
	<u>107</u>	<u>—</u>

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

8 TRADE AND OTHER PAYABLES

	2012 £'000	2011 £'000
Trade payables	215	4
Other payables	—	1
VAT payable	32	—
Accruals	120	—
	<u>367</u>	<u>5</u>

All of the above are due within one year. The fair value of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognised to be a reasonable approximation of their fair value.

9 SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted, issued and fully paid:		
133,400,000 ordinary shares of 0.1p (2011: 5,000,000)	134	5
	<u>134</u>	<u>5</u>
	Year ended 30 September 2012 No.	Period ended 30 September 2011 No.
At start of year/period	5,000,000	—
Issued for cash	117,400,000	5,000,000
Issued to settle a liability	11,000,000	—
At end of year/period	<u>133,400,000</u>	<u>—</u>

The shares issued in the period ended 30 September 2011 were for cash at par.

Of the shares issued for cash in the year ended 30 September 2012, 98,000,000 were issued at par, 17,900,000 were issued at 2 pence per share and 1,500,000 were issued at 8 pence per share, resulting in a share premium of £459,000.

The shares issued to settle a liability were issued at par.

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

10 FINANCIAL INSTRUMENTS

The Group uses financial instruments comprising cash and cash equivalents, various other short-term instruments such as other receivables and trade and other payables which arise from its operations. The main purpose of these financial instruments is to fund the Group's business strategy and the short-term working capital requirements of the business.

Financial assets by category

The IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

	2012			2011		
	Loans and receivables £'000	Non financial assets £'000	Balance sheet total £'000	Loans and receivables £'000	Non financial assets £'000	Balance sheet total £'000
Cash and cash equivalents	142	—	142	—	—	—
Other receivables	107	—	107	—	—	—
Total	<u>249</u>	<u>—</u>	<u>249</u>	<u>—</u>	<u>—</u>	<u>—</u>

Financial liabilities by category

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

	2012			2011		
	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000
Trade payables	215	—	215	4	—	4
Other payables	—	—	—	1	—	1
VAT payable	—	32	32	—	—	—
Accruals	120	—	120	—	—	—
	<u>247</u>	<u>32</u>	<u>367</u>	<u>5</u>	<u>—</u>	<u>5</u>

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Group's risk management and focuses on actively securing the Group's short to medium term cash flows.

The Group does not actively engage in the trading of financial assets and has no financial derivatives. The most significant risk to which the Group is exposed is described below:

Liquidity risks

The Group seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by the use of money markets to deposit excess cash which is not required in the short term. The Directors prepare rolling cashflow forecasts and seek to raise additional funding whenever a shortfall in facilities is forecast. Details of the funding status of the Group are included in the going concern paragraph in the principal accounting policies.

All the financial liabilities noted above expected to result in cash outflow within six months of the year end.

11 RELATED PARTY TRANSACTIONS

Corvus Capital Ltd, a major shareholder in CloudTag Inc. charged the Group £141,299 for the year ended 30 September 2012 in respect of consultancy fees and expenses (period ended 30 September 2011: £nil). At 30 September 2012 Corvus Capital Ltd owed the group £6,951, which has been paid since the year end.

Kitwell Consultants Limited, a shareholder in CloudTag Inc. and a company owned by M Hirschfield, a director of CloudTag Inc. and CloudTag Active Limited charged the Group £1,700 for the year ended 30 September 2012 in secretarial fees and expenses (period ended 30 September 2011: £nil).

12 PRINCIPAL SUBSIDIARY UNDERTAKINGS

Name	Place of incorporation
CloudTag Active Limited	UK

The subsidiary was set up and is 100 per cent. owned by the Company at the year end. The principal activity of the subsidiary is to develop, market and sell a state of the art physiological monitoring technology to the professional sports, consumer wellbeing and weight-loss markets.

PART 3(b)

REPORT ON HISTORICAL FINANCIAL INFORMATION



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The Directors
CloudTag Inc.
122 Mary Street, Zephyr House
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KY1-1107
Grand Cayman
Cayman Islands

14 March 2013

Dear Sirs

CloudTag Inc.

We report on the financial information set out in Part 3(a) of the Admission Document, for the period ended 30 September 2012. This financial information has been prepared for inclusion in the AIM Admission Document dated 14 March 2013 of CloudTag Inc. on the basis of the accounting policies set out in note 1.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM Admission Document.

The Directors of CloudTag Inc. are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the

preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 14 March 2013, a true and fair view of the state of affairs of CloudTag Inc. as at the dates specified and of its profits, cash flows and changes in equity for the period ended 30 September 2012 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

PART 3(c)

PRO FORMA

	Consolidated balance sheet at 30 September 2012 ⁽¹⁾ £'000	Adjustment ⁽²⁾ £'000	Adjustment ⁽³⁾ £'000	Pro forma financial position at 30 September 2012 £'000
ASSETS				
Current assets				
Trade and other receivables	107	—	(100)	7
Cash and cash equivalents	142	1,111	100	1,353
Total assets	<u>249</u>	<u>1,111</u>	<u>—</u>	<u>1,360</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	134	7	—	141
Share premium	418	1,104	—	1,522
Retained earnings	(670)	—	—	(670)
Equity attributable to the owners	<u>(118)</u>	<u>1,111</u>	<u>—</u>	<u>993</u>
Current liabilities				
Trade and other payables	367	—	—	367
Total liabilities	<u>367</u>	<u>—</u>	<u>—</u>	<u>367</u>
Total equity and liabilities	<u>249</u>	<u>1,111</u>	<u>—</u>	<u>1,360</u>

Notes:

- (1) Source: Historical financial information on CloudTag Inc. and its subsidiary CloudTag Active Limited
- (2) Estimated proceeds of share subscription (£1,525,000) less associated costs estimated at £414,000
- (3) Unpaid share capital due is expected to be received on admission to AIM

PART 4

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names and functions are set out in paragraph 2 of this Part 4, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Directors

2.1 The directors of the Company, their respective functions and dates of appointment are as follows:

Anthony Reeves (*Non-executive Chairman*) (*appointed 13 December 2012*)
Andrew Jackson (*Commercial director*) (*appointed 11 October 2012*)
Michael Hirschfield (*Interim Finance director*) (*appointed 28 September 2012*)
Mark Butcher (*Non-executive director*) (*appointed 13 December 2012*)

2.2 The business address of Anthony Reeves is Spur Lodge Limited, The Lodge, Kensington Village, Avonmore Road, London W14 8TS, of Andrew Jackson is 6 Sungold Walk, Kingshill, West Malling, Kent, ME19 4EZ, of Michael Hirschfield is Kitwell House, The Warren, Radlett, Hertfordshire, WD7 7DU and of Mark Butcher is 18 River House, The Terrace, London SW13 0NR.

2.3 The directors of CloudTag Active and their respective functions are as follows:

Michael Hirschfield (*Executive Chairman*)
Andrew Jackson (*Commercial director*)
Anthony Reeves (*Non-executive director*)
Mark Butcher (*Non-executive director*)
Lee Musgrave (*Non-executive director*)
Pantelis Georgiou (*Non-executive director*)

3. The Company

3.1 The Company was incorporated in the Cayman Islands under the Companies Law as an exempted limited liability company (as explained in paragraph 8.16 of Part 4) on 22 June 2010, with registered number 242424, with the name Green River Resources Inc. By special resolution dated 9 December 2011 the Company changed its name to Toumaz Active Inc and by a special resolution dated 19 March 2012 it changed it to ClougTag Inc.

3.2 The Company is governed by the Companies Law of the Cayman Islands.

3.3 The Company intends to rent office space in London in due course but in the meantime its correspondence address in the UK is at Kitwell House, The Warren, Radlett, Hertfordshire WD7 7DU (telephone: 0844 815 7339). The Company's principal place of business is at 10 Rue de Simplon, 1207 Geneva, Switzerland.

3.4 The liability of the members is limited to the amount, if any, unpaid on the shares respectively held by them.

3.5 The business of the Company and its principal activity is that of a holding company.

4. Subsidiaries and investments

- 4.1 The Company has one wholly owned subsidiary: CloudTag Active Limited was incorporated on 26 October 2011 and is registered in England and Wales under the Companies Act 2006 with number 07824765. Its registered office is at Kitwell House, The Warren, Radlett, Herts WD7 7DU. The business of CloudTag Active is that of a general commercial company.
- 4.2 The Company does not have, nor has it taken any action to acquire, any significant investments.

5. Share capital

- 5.1 The Company was incorporated with an authorised share capital of £1,000,000 divided into 1,000,000,000 ordinary shares of 0.1p (one tenth of a penny) each. Immediately following incorporation, one subscriber share was transferred to Michael Hirschfield by the incorporation agent and Michael Hirschfield subscribed for 4,999,999 shares at par.
- 5.2 During the period covered by the financial information in Part 4, the following Ordinary Shares have been issued:

Date of issue	Description	Number of Shares	Issue Price
22 June 2010	Subscriber shares on incorporation	1	0.1p
30 June 2010	Subscription by Michael Hirschfield	4,999,999	0.1p
9 December 2011	Subscription by Corvus Capital Limited*	68,000,000	0.1p
9 December 2011	Licence of intellectual property†	11,000,000	0.1p
25 March 2012	Subscription by multiple existing and new Shareholders	30,000,000	0.1p
25 April 2012	Subscription by multiple existing and new Shareholders	17,900,000	2.0p
25 April 2012	Subscription by multiple existing and new Shareholders	1,500,000	8.0p

* 44,825,000 of these shares have been transferred to other Shareholders.

† Issued to Toumaz Limited and since transferred to Ambeson Limited.

- 5.3 The issued share capital of the Company at the date of this document is 133,400,000 Ordinary Shares, all of which are fully paid up.
- 5.4 Pursuant to the Articles, provided that the consent of the Company is obtained by means of an ordinary resolution and subject as otherwise provided in the Articles the Directors are authorised to allot Ordinary Shares up to the maximum authorised but unissued nominal share capital amount of £1,000,000 on such terms as they have been authorised to do by the Company by ordinary resolution.
- 5.5 Except as disclosed in this document, the Company does not have in issue any securities not representing share capital.
- 5.6 Article 17 of the Articles confers on Shareholders rights of pre-emption in respect of the allotment of shares and applies to the authorised but unissued share capital.
- 5.7 On completion of the Subscription and the issue of the Fee Shares, the Existing Shareholders will suffer a dilution of 9.73 per cent. in their interests in the Company.
- 5.8 The Ordinary Shares may be held in either certificated form or (pursuant to the arrangements for Depositary Interests described in paragraph 15 of this Part 4) under the CREST system.
- 5.9 Except as disclosed in this paragraph, during the period covered by the financial information referred to in Part 3: (i) there has been no change in the amount of the

issued share or loan capital of the Company; and (ii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share capital of the Company.

5.10 Except as disclosed in paragraph 5 of Part 2, to the best of the Directors' knowledge no person directly or indirectly exercises or could exercise control over the Company.

5.11 Except pursuant to the Option Scheme as set out in paragraph 13 of this Part 4, no share of the Company or CloudTag Active is under option or has been agreed conditionally or unconditionally to be put under option.

6. Memorandum of association

Clause 3 of the Company's memorandum of association provides that the objects of the Company are unrestricted and the Company has full power and authority to carry out any object not prohibited by law. Clauses 5 and 6 of the Company's memorandum of association provides that:

6.1 the Company is not permitted to carry on, without first acquiring the relevant licence, the business of a bank or trust company; the business of an insurance company or broker; or the business of company management; and

6.2 the Company may not trade in the Cayman Islands.

7. Articles of Association

The rights attaching to the Ordinary Shares, as set out in the articles of association of the Company, contain, amongst others, the following provisions:

7.1 Votes of members

Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member who being an individual is present in person or by proxy or, being a corporation is present by a duly authorised representative or by proxy, has one vote, and on a poll every member has one vote for every share of which they are a holder.

A member of the Company is not entitled in respect of any shares held by him/her to vote at any general meeting of the Company if any amounts payable by him/her in respect of those shares have not been paid.

7.2 Variation of rights

If at any time the capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of at least three-fourths of the issued shares of that class, or with the sanction of a resolution passed at a separate meeting of the holders of that class by at least a three-fourths majority. The quorum at any such meeting is at least one person holding, or representing by proxy, at least one third of the issued shares in question, and any holder of shares of the class present in person or by proxy may demand a poll.

7.3 Alteration of share capital

The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe. The Company may by ordinary resolution:

- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

- convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;
- subdivide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived;
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital and any capital redemption reserve in any manner authorised by law.

7.4 *Transfer of shares*

An instrument of share transfer shall be in any usual form or such other form as the Directors may, in their absolute discretion, approve and be signed by on behalf of the transferor and, in the case of nil or partly paid shares, by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.

The Directors may, in their absolute discretion and without assigning any reason, refuse to register the transfer of a share in certified form if it is not fully paid or if the Company has a lien on it, or if it is not duly stamped or deposited at the office or such other place as the Directors may appoint. In exceptional circumstances approved by the London Stock Exchange, the directors of the Company may refuse to register any transfer, provided that their refusal does not disturb the market.

The articles of association contain no additional restrictions on the free transferability of fully paid Ordinary Shares provided that the transfers are in favour of not more than four transferees (except in the case of executors or trustees of a deceased shareholder), the transfers are in respect of only one class of share and the provisions in the articles of association, if any, relating to registration of transfers have been complied with.

The registration of transfers may be suspended at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration shall not be suspended for more than 30 days in any year.

7.5 *Payment of dividends*

Subject to any rights and restrictions for the time being attached to any class or classes of shares, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorise payment of the same out of the funds of the Company lawfully available. Subject to any rights and restrictions for the time being attached to any class or classes of shares, the Company by ordinary resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Dividends may be paid in cash or specie.

7.6 *Unclaimed dividends*

Any dividend unclaimed after a period of 12 years from the date of its declaration will be forfeited and will revert to the Company.

7.7 *Pre-emption rights*

The Company, unless otherwise authorised by ordinary resolution, shall not allot shares on any terms unless the directors of the Company have offered, either in person or by

post (and such offer, having been open for not less than 21 clear days, has lapsed or been refused), such proportion of those shares to existing shareholders of the same class as is equal (or as near as possible) to the proportion of the existing issued share capital held by each such shareholder. Such an offer shall be sent (a) where shares are held jointly, to the joint holder named first on the register of members; and (b) in the case of a member's death or bankruptcy, to the address in the United Kingdom supplied by the personal representatives or trustee in bankruptcy (as appropriate) of that member, or until an address is supplied, in any manner that would have been effective had the death or bankruptcy not occurred.

Rights of pre-emption do not apply to the allotment of shares which would, apart from a renunciation or assignment of the right to their allotment, be held under an employee share scheme.

7.8 *General meetings*

All general meetings of the Company, which may be convened by the directors of the Company whenever they think fit, shall be extraordinary general meetings, other than the annual general meeting of the Company, which shall be held at such time and place as the directors of the Company may determine.

General meetings may also be convened by the written requisition of members entitled to attend and vote at such a meeting who hold not less than 10 per cent. of the paid up voting shares of the Company for a date no later than 21 days from the date of deposit of the requisition. If the meeting is not convened by the directors of the Company within 45 days of the date of deposit of the requisition then those members calling the meeting may convene it themselves in the same manner as nearly as possible as it would be convened by the directors of the Company.

If there are no directors of the Company then any two members, or the sole member, of the Company may convene a general meeting in the same manner as nearly as possible as it would be convened by the directors.

7.9 *Notice of general meetings*

An annual general meeting must be called by at least 21 days' notice and all other general meetings must be called by at least 14 days' notice.

The notice (which is to be in writing, specifying the place, day and time of the meeting, and where special business is proposed, the general nature of such business) is exclusive of the day on which it is served, or deemed to be served, and of the day for which it is given.

A meeting of the Company called by shorter notice than required above will be deemed to be duly called if it is agreed, in the case of an annual general meeting, by all the members entitled to attend and vote at it, and in the case of any other meeting, by a majority in numbers of the members having a right to attend and vote at the meeting and holding not less than 95 per cent. in nominal value of the shares giving that right.

The accidental omission to give notice of a meeting, or the non-receipt by a person entitled to receive it, will not invalidate the proceedings at that meeting.

7.10 *Indemnities in favour of directors of the Company*

Every director (including alternates), secretary, assistant secretary or other officer of the Company (but not including the Company's auditors) and their personal representatives shall be indemnified and held harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in or about the conduct of the Company's

business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, (including any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere).

No such director, alternate director, secretary, assistant secretary or other officer of the Company (but not including the Company's auditors) shall be liable for:

7.10.1 the acts, receipts, neglects, defaults or omissions of any other director or officer or agent of the Company; or

7.10.2 for any loss on account of defect of title to any property of the Company; or

7.10.3 on account of the insufficiency of any security in or upon which any money of the Company shall be invested; or

7.10.4 for any loss incurred through any bank, broker or other similar person; or

7.10.5 for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgement or oversight on his part; or

7.10.6 for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers authorities, or discretions of his office or in relation thereto, unless the same shall happen through his own dishonesty.

7.11 *Depositary interests*

The Directors shall, subject always to the Companies Law and any other applicable laws and regulations and the facilities and requirements of any relevant system concerned and the Articles, have power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in shares in the capital of the Company in the form of depositary interests or similar interests, instruments or securities, and to the extent such arrangements are so implemented, no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the shares in the capital of the Company represented thereby. The Directors may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of any such arrangements.

7.12 *Return of capital*

On a winding-up of the Company, the balance of the assets available for distribution will, subject to any relevant restrictions, be divided amongst the Members.

7.13 *Borrowing powers*

The directors of the Company may exercise all of the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part if it, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

7.14 *Directors*

The Company may by ordinary resolution appoint any person to be a Director. No shareholding qualification is required by a Director unless determined otherwise by ordinary resolution.

The directors of the Company are entitled to remuneration at the rate decided by them or by the Company by ordinary resolution.

At every annual general meeting, one third of the directors who are subject to retirement by rotation, or as near to it as may be, will retire from office. A retiring director is eligible for re-appointment.

The directors of the Company may from time to time appoint any person, whether or not a Director, to hold such office in the Company as the Directors may think necessary for the administration of the Company with such powers and duties as the Directors may think fit.

Provided that a director of the Company has declared the nature of his interest at a meeting of the directors of the Company, he/she may vote and be counted in the quorum present on any motion in regard to any contract, transaction, arrangement or any other proposal in which he/she has material interest, which includes the interest of any person connected with him/her.

7.15 *Disclosure of interests*

Although not required by the Companies Law, provisions equivalent to those contained in Chapter 5 of the Disclosure and Transparency Rules have been incorporated into the Articles. Accordingly a Shareholder is contractually required to notify the Company when he reaches, exceeds or falls below an interest in 3 per cent. of the nominal value of the Company's share capital and each 1 per cent. threshold thereafter.

The Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's relevant share capital to confirm that fact or (as the case may be) to indicate whether or not it is the case and/or where he holds or has during that time held an interest in shares so comprised, to give such further information as may be required in the notice.

7.16 *Takeovers*

A person must not (a) whether by himself, or with persons determined by the Board to be acting in concert with him, acquire shares which, taken together with shares held or acquired by persons determined by the Board to be acting in concert with him, carry 30 per cent. or more of the voting rights attributable to ordinary shares of the Company; or (b) whilst he, together with persons determined by the Board to be acting in concert with him, holds not less than 30 per cent., but not more than 50 per cent. of the voting rights attributable to ordinary shares of the Company, acquire, whether by himself or with persons determined by the Board to be acting in concert with him, additional shares which, taken together with shares held by persons determined by the Board to be acting in concert with him, increases his voting rights attributable to ordinary shares of the Company, except as a result of a "Permitted Acquisition". A Permitted Acquisition is an acquisition that has (a) been approved by the Board, (b) is made in circumstances in which the City Code, if it applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the City Code ("Rule 9"), as if it so applied; or (c) if the acquisition arises from repayment of a stock borrowing arrangement (on arm's length commercial terms).

If the Board has reason to believe that this provision is or may be breached by a member, the Board has a wide discretion to require such member to provide further information, to determine that the voting rights or right to receive dividends attaching to shares in the Company held by such member are incapable of being exercised, require such member to sell some of its shares or taking such other action as the Board

thinks fit. Such authority shall include all discretion vested in the Panel as if Rule 9 of the Takeover Code applied.

8. Cayman Islands law

The Company is registered as an exempted limited company in the Cayman Islands under the Companies Law. English law and Cayman Islands law differ in a number of areas, and certain differences are summarised below, although this is not intended to provide a comprehensive review of the applicable law. In general, the rights of shareholders in a Cayman Islands exempted company such as the Company are governed by the provisions of the Companies Law and related common law and by the provisions contained in the Articles. The Companies Law is based on early versions of the English Companies Acts with subsequent additions and amendment some of which have no parallel in the UK legislation. The Companies Law is much shorter and less detailed than CA 2006 and generally in the case of a Cayman Islands company there is a greater scope for choice as to whether and how a matter is covered in the articles of association as opposed to mandatory statutory provision.

8.1 *Shares*

Subject to the Companies Law and the Company's memorandum and articles of association, the directors have the power to offer, issue, grant options over or otherwise dispose of shares, subject to the Companies Law. A Cayman Islands company may amend its memorandum to increase, subdivide, consolidate or decrease its authorised or issued shares.

8.2 *Issue of new shares*

Shareholders do not have statutory pre-emption rights under the Companies Law in respect of further issues of shares of the Company. However, such rights in relation to issues for cash consideration have been incorporated by the Company into its Articles, unless otherwise approved by an ordinary resolution of shareholders.

8.3 *Purchase of own shares*

A Cayman Islands company may, in certain circumstances, purchase, redeem or otherwise acquire its own shares.

8.4 *Dividends and distribution*

Subject to the provisions of its memorandum and articles of association, the directors of a Cayman company may declare dividends in money, shares or other property, including from the share premium account, provided they determine that the company will be able to satisfy a solvency test immediately after the distribution.

8.5 *General meetings*

The Articles contain provisions entitling the holders of not less than ten per cent. of the issued shares to requisition a general meeting.

Under the Companies Law a special resolution is a resolution passed by two thirds (or such greater percentage as the Articles provide) of such shareholders as being entitled to do so, vote in person or by proxy at the relevant meeting. The UK Companies Act requires a three quarters majority. The Articles provide for a three quarters majority.

8.6 *Protection of minorities*

The proper plaintiff in an action in respect of a wrong alleged to be done to a company is, *prima facie*, the company itself not an individual shareholder. The rule has been extended to cover the principle that if a wrong has been done to the company by its directors, an individual shareholder cannot bring an action in respect of the irregularity

if the irregularity is capable of being waived or ratified by an ordinary resolution of the company in general meeting. Where the breach is not capable of waiver or ratification a minority shareholder may bring an action for relief for the benefit of the company (a so-called "derivative action") if the relevant circumstances fall within an exception to the rule as follows:

- (a) illegal or ultra vires acts: section 28 of the Companies Law states that no act of a company and no disposition of real or personal property to or by a company shall be invalid by reason only of the fact that the company was without capacity or power to perform the act or to dispose of or receive the property. But the lack of capacity or power, however, may be asserted (i) in proceedings by a shareholder or director against the company to prohibit the performance of any act, or the disposition of real or personal property by or to the company and (ii) in proceedings by the company, whether acting directly or through a liquidator or other legal representative or through members of the company in a representative capacity, against the incumbent or former officers or directors of the company for loss or damage through their unauthorised act.
- (b) where there is an irregularity in the passing of a resolution, e.g. special resolution which requires a qualified majority.
- (c) where the acts amount to a fraud on the minority and the wrongdoers are themselves in control of the company.
- (d) where the act infringes the rights of an individual shareholder.

Unlike in the UK, the Companies Law does not contain a statutory remedy enabling shareholders to present a petition for the winding up of a company on the ground that the company's affairs are being or have been conducted in a manner which is unfairly prejudicial to minority shareholders. A shareholder, however, may petition the court for a winding up order on the grounds that it is just and equitable that the company should be wound up pursuant to section 92(e) of the Companies Law. In this context the court will consider a number of factors, including, for example, whether the control or management of the company is characterised by fraud, misconduct or oppression and that a winding up order is necessary to protect the rights of minority shareholders or, for example, whether the company is no longer able to carry on the business for which it was formed (i.e. because of a supervening event, a lack of financial resources, deadlock between its members or because the company has fulfilled the object for which it was created).

Upon the application of not less than one fifth of the shareholders by number the Cayman Islands court may appoint inspectors to examine into and report on the affairs of a company. By special resolution a company may similarly appoint inspectors who will be deemed to have the same powers a court appointed inspectors.

8.7 *Management*

Subject to the provisions of its memorandum and articles of association, a Cayman company is managed by its board of directors. A director owes a primary duty to the company and not, in the absence of special circumstances, to its shareholders. At common law a director owes two types of duty to the company; fiduciary duties and duties of care and skill. A director's fiduciary duties will include a duty to act in good faith and in what he considers is the best interests of the company and not for a collateral purpose; a duty to exercise his powers for the purpose they are conferred and not for any personal or improper purpose; a duty to avoid conflicts of interest and duty; and not to fetter the exercise of their discretions. A director's fiduciary position prevents him from making a personal profit from any opportunities that arise from the directorship, even if he is acting honestly and for the good of the company unless the Articles provide otherwise.

8.8 *Accounting and audit*

A Cayman company is obliged to keep financial records that give a true view of its affairs. There is no statutory requirement on a Cayman company which carries out business activities similar to the Company to audit or file annual accounts in the Cayman Islands. As a company subject to the AIM Rules, the Company will produce audited accounts.

8.9 *Exchange control*

A Cayman company is not subject to any exchange control regulations in the Cayman Islands.

8.10 *Transactions with directors*

The Companies Law contains no statutory disclosure requirements for directors.

The Companies Law does not contain provisions similar to those found in CA 2006 relating to transactions with directors and loans made to directors.

The Company will be subject to AIM Rule 13 which provides certain protections in relation to related party transactions where the value of the transaction exceeds 5 per cent. in any of the class tests. If AIM Rule 13 applies to the transaction, the Company must promptly issue notification, following agreement of terms with a related party confirming: (a) certain specified information (which includes particulars of the transaction, value, effect on the company and any other information necessary to enable investors to evaluate the effect of the transaction upon the company); (b) the name of the related party concerned and the nature and extent of their interest in the transaction; and (c) that with the exception of any director who is involved in the transaction as a related party, its directors consider, having consulted with its nominated adviser, that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

8.11 *Inspection of corporate records*

In the case of an exempted company such as the Company there are no provisions in the Companies Law equivalent to those in CA 2006 under which information filed with the registrar of companies is publicly available.

8.12 *Insolvency*

Cayman law makes provision for both voluntary and insolvent winding-up of a Cayman company, and for appointment of a liquidator. The shareholders or the directors may resolve to wind up the company voluntarily. The Cayman company and any creditor may petition the court for the winding-up of the company upon various grounds, including that the company is unable to pay its debts or that it is just and equitable that it be wound up.

Under the Companies Law there is no statutory provision equivalent to the UK statutory provisions relating to wrongful trading under which a director may be liable where a company has gone into insolvent liquidation and the director knew, or ought to have known, that there was no reasonable prospect of this being avoided. However if in the course of the winding up of a company it appears that the business of the company has been carried on with the intent to defraud creditors of the company or creditors of any other person or for any fraudulent purpose a director may be guilty of fraudulent trading and be personally liable to compensate the company for the losses sustained as a result.

8.13 *Takeovers*

There are no provisions governing takeover offers analogous to the City Code applicable in the Cayman Islands. The Company has, however, adopted provisions similar to those of the City Code into its Articles, which are described in paragraph 10 of this Part 4.

8.14 *Squeeze out rights*

The Ordinary Shares are subject to the compulsory acquisition provisions set out in section 88 of the Companies Law. Under these provisions, where an offeror makes a takeover offer and receives valid acceptances in respect of, or acquires, more than 90 per cent. in value of the shares to which the offer relates, that offeror is entitled to acquire compulsorily those shares which have not been acquired or contracted to be acquired. The merger provisions of the Companies Law allow two Cayman incorporated companies, or even a foreign company in certain circumstances, to merge subject to Shareholders passing a special resolution and all secured creditors also approving of the merger. The effect of the merger is that all rights, obligations, assets and liabilities of each constituent company continue with the surviving entity. The Companies Law provides that a Shareholder is entitled to be paid the fair value of his shares on dissenting to a merger or consolidation unless such Shareholder receives, in exchange for his shares: shares of a surviving or consolidated company, or depository receipts in respect of these; shares of any other company, or depository receipts in respect of these, that are either listed or held of record by more than two thousand holders at the effective date of the merger or consolidation; cash in lieu of fractional shares or fractional depository receipts as described above; or any combination of the shares, depository receipts and cash in lieu of fractional shares or fractional depository receipts described above.

8.15 *Corporate governance*

There is no corporate governance regime in the Cayman Islands. It is the Directors' intention that the Company should comply with the QCA Corporate Governance Guidelines for AIM Companies to the extent reasonably practicable for a company of the Company's size.

8.16 *Certain Cayman Islands tax considerations*

Under current legislation in the Cayman Islands, no taxes will be imposed upon the Company or its Shareholders by the Cayman Islands Government and there are no exchange control laws or regulations in effect. The Company has been incorporated under the laws of the Cayman Islands as an exempted limited company and, as such, has obtained an undertaking from the Governor-in-Cabinet of the Cayman Islands that, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations and that no such tax or any tax in the nature of estate duty or inheritance tax shall be payable on the shares, debentures or other obligations of the Company. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

8.17 *Financial assistance*

There is no statutory prohibition on the giving of financial assistance in the Cayman Islands.

9. Disclosure and Transparency Rules

The Transparency Obligations Directive (Disclosure and Transparency Rules) Instrument 2006 (“DTR”) introduced by the FSA does not apply to the Company. In accordance with Rule 17 of the AIM Rules the Articles have been amended to incorporate provisions equivalent to those contained in the DTRs. For more details see the summary in the Articles at paragraph 7.15 of this Part 4.

10. Squeeze out rights and the City Code

- 10.1 There are no provisions governing takeover offers analogous to the City Code applicable in the Cayman Islands. Details of the Cayman Islands squeeze out rules are set out in paragraph 8.14 of this Part 4.
- 10.2 The Ordinary Shares are not, by virtue of the location of the Company’s place of central management, subject to the provisions of the City Code and as such the rules regarding mandatory takeover offers set out in the City Code do not apply to the Company. Although the Company’s central place of management is not within the United Kingdom, the Channel Islands or the Isle of Man and it is therefore not a company to which the City Code currently applies (although this may change in the future), the Directors have resolved that the Company will take account of the rules set out in the City Code so far as is possible and practicable and adhere to the general principles contained in the City Code. Notwithstanding this fact, the Takeover Panel will have no jurisdiction for so long as the Company is not a company to which the City Code applies. While the Company will seek to comply with the provisions of the City Code, third parties will not be obliged, and the Company will not be able to compel them, to comply with the City Code. Investors should note, in particular, paragraph 10.3 below on Rule 9 of the City Code.
- 10.3 Rule 9 of the City Code normally requires any person (or group of persons acting in concert) who acquires an interest in shares which, taken together with shares in which such persons are already interested, carry 30 per cent. or more of the voting rights of a company to offer to acquire the balance of the equity share capital. Rule 9 of the City Code also normally requires any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested to make such a mandatory offer to acquire the balance of the equity share capital.
- 10.4 The Articles contain provisions that are similar to Rule 9 of the City Code. Further details are set out in paragraph 7.16 of this Part 4.
- 10.5 As the Company is not a company to which the City Code currently applies, Shareholders should be aware that if the Articles are amended to remove the provision referred to in paragraph 7.16 Shareholders will be entitled to increase their interest in Share to 30 per cent. or more of the voting rights of the Company without incurring any obligation to make a mandatory offer under the City Code as would normally arise were the Company subject to the provisions of the City Code. It is possible that in the future the City Code may apply to the Company.
- 10.6 The Directors are permitted to waive the provisions referred to in paragraph 7.16 without reversion to shareholders. It is the Directors’ intention to only waive such provisions when it is in the best interests of the Company to do so.

11. Significant shareholders

- 11.1 Except for the interests of the Directors and the directors of CloudTag Active which are set out in paragraph 12.1 of this Part 4 and those persons set out in this paragraph, the Directors are not aware, at the date of this document, of any interest which immediately following Admission would amount to 3 per cent. or more of the Company's issued share capital:

Name	Existing Ordinary Shares	Percentage of current share capital	Ordinary Shares on Admission	Percentage of Enlarged Share Capital on Admission
Osuna Limited	30,975,000	23.22	30,975,000	20.96
Corvus Capital Limited	25,200,000	18.89	28,800,000	19.49
TD Wealth Institutional (UK) Nominees Limited	15,000,000	11.24	20,625,000	13.96
Ambeson Limited	11,000,000	8.25	11,000,000	7.44
Mark Betteridge	4,250,000	3.19	4,250,000	2.88
Calvet International Limited	4,000,000	3.00	4,725,000	3.20

- 11.2 No major holder of Ordinary Shares, either as listed above, or as set out in paragraph 12 of this Part 4, has voting rights different from other holders of Ordinary Shares.

12. Directors

- 12.1 The interests of the Directors and of the directors of CloudTag Active, their immediate families, civil partners (as defined in the Civil Partnership Act 2004) (if any), and persons connected with them, within the meaning of sections 252-254 CA 2006, in the share capital of the Company at the date of this document, all of which are beneficial, and following the Subscription, are:

Name	Existing Ordinary Shares	Percentage of current ordinary share capital	Ordinary Shares on Admission	Percentage of Enlarged Share Capital on Admission
Anthony Reeves	Nil	Nil	Nil	Nil
Mark Butcher	Nil	Nil	Nil	Nil
Andrew Jackson	Nil	Nil	Nil	Nil
Michael Hirschfield	6,875,000	5.15	6,875,000	4.65
Pantelis Georgiou	1,500,000	1.12	1,500,000	1.02
Lee Musgrave	4,250,000	3.19	4,250,000	2.88

- 12.2 Except as disclosed above, the Directors are not aware of any interests of persons connected with them which would, if such connected person were a Director, be required to be notified to the Company pursuant to Chapter 3 of the Disclosure and Transparency Rules as if the Disclosure and Transparency Rules applied to the Company and could be required to be entered in the register of directors' interests pursuant to section 809 CA 2006 if it applied to the Company.

- 12.3 There are no outstanding loans granted by any member of the Company to any Director, nor has any guarantee been provided by any member of the Company for their benefit.

- 12.4 On 14 March 2013 the Company entered into a letter of appointment with Anthony Reeves in respect of his appointment as non-executive chairman. The terms of this letter provide for an annual fee of £30,000, which will accrue from Admission and be payable monthly in arrears. The appointment is terminable on six months' notice on either side. No compensation will be payable for loss of office and the appointment may be

terminated immediately if, among other things, Mr Reeves is in material breach of the terms of the appointment.

- 12.5 On 14 March 2013 the Company entered into a letter of appointment with Mike Hirschfield in respect of his appointment as interim finance director of the Company. The terms of this letter provide for an annual fee of £6,000, which will accrue from 1 October 2012 and be payable monthly in arrears. The appointment is terminable on six months' notice on either side except that Mr Hirschfield cannot serve notice to expire in the 12 months from Admission. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Hirschfield is in material breach of the terms of the appointment. Mr Hirschfield has also entered into an employment agreement dated 14 March 2013 with CloudTag Active pursuant to which he was appointed as an executive director on a salary of £18,000 per year, payable from 1 October 2012. The agreement requires Mr Hirschfield to work at least seven hours per week for CloudTag Active and at such other times as may be necessary for the proper performance of his duties. The agreement is terminable on six months' notice on either side except that Mr Hirschfield cannot serve notice to expire in the 12 months from Admission. No compensation is payable for loss of office and the employment may be terminated immediately if, among other things, Mr Hirschfield is in material breach of the terms of the agreement. Mr Hirschfield has entered into customary post termination restrictive covenants. It is expected that upon the Company appointing a full time finance director, Mr Hirschfield's directorship and employment will cease although he has agreed if required, to continue in an executive capacity for a short period to ensure an orderly handover to his successor.
- 12.6 On 14 March 2013 the Company entered into a letter of appointment with Andrew Jackson in respect of his appointment as an executive director of the Company. The terms of this letter provide for an annual fee of £12,000, which will accrue from 1 October 2012 and be payable monthly in arrears. The appointment is terminable on six months' notice from Mr Jackson and three months from the Company but no such notice is to take effect until after one year from Admission. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Jackson is in material breach of the terms of the appointment. Mr Jackson has also entered into an employment agreement dated 14 March 2013 with CloudTag Active pursuant to which he was appointed as commercial director on a salary of £48,000 per year (which has accrued from 1 October 2012). Mr Jackson has directed that part of his salary be paid into his pension scheme. The agreement requires Mr Jackson to work at least 25 hours per week for CloudTag Active. The agreement is terminable in the same manner as set out above. No compensation is payable for loss of office and the employment may be terminated immediately if, among other things, Mr Jackson is in material breach of the terms of the agreement. Mr Jackson has entered into customary post termination restrictive covenants.
- 12.7 On 14 March 2013 the Company entered into a letter of appointment with Mark Butcher in respect of his appointment as a non-executive director. The terms of this letter provide for an annual fee of £25,000, which will accrue from Admission and be payable monthly in arrears. The appointment is terminable on six months' notice on either side. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Butcher is in material breach of the terms of the appointment.
- 12.8 Each of the Directors has agreed to the suspension of their fees and salaries if the Group has not launched the Product within 12 months of Admission. If subsequently the Product is launched, the arrears of fees and salary will be paid in instalments over a period equal in length to the period of the suspension.

- 12.9 No remuneration has been paid and no benefits in kind granted to the Directors since incorporation under the arrangements in force at the date of this document. It is estimated that the aggregate remuneration payable to the Directors (including accrued but unpaid remuneration) from the date of Admission to 30 September 2013 under arrangements that are in force and that will come into effect on Admission will amount to £101,500.
- 12.10 Except as set out above, there are no liquidated damages or other compensation payable by the Company upon early termination of the contracts of the Directors. None of the Directors has any commission or profit sharing arrangements with the Company.
- 12.11 Except as disclosed in this paragraph 12, there are no existing or proposed service contracts between the Company and any of the Directors which are not terminable on less than 12 months' notice, nor have any of their letters of appointment or service contracts been amended in the six months prior to the date of this document.
- 12.12 In addition to their directorships of the Company and CloudTag Active, the Directors are or have been members of the administrative, management or supervisory bodies or partners of the following companies or partnerships (which unless otherwise stated are incorporated in the UK) within the five years prior to the publication of this document:

Anthony Reeves

Current	Kellan Group plc PayStream Accounting Services Ltd Spur Lodge Limited City & Central Services Limited Berkeley Scott Limited Quantica Limited Juvenile Diabetes Research Foundation Limited Quantica Group Limited R K Group Limited Paystream My Max Holdings Limited Brighter Prospects (Recruitment Services) Limited
Past	PAS1 Limited Paystream EBT Limited The Chelsea Past Players' Trust

Michael Hirschfield

Current	Gulbenkian Oil Limited Kitwell Consultants Limited Ponting Oil Limited Sirius Petroleum plc Tri-Star Resources plc Tri-Star Trading Limited Universe Development Limited
Past	Assael Rankin Properties Limited Bluearth Capital Limited Bluelease Limited Corvus Capital Inc (BVI) Mar City plc Roeford Real Estate Limited

Mark Butcher**Current**

AssetCo plc
Coldharbour Marine Limited

Past

Allied Mutual Insurance Service Limited
Autologic Holdings plc
Brown Shipley Asset Management Limited
Brown Shipley Holdings Limited
GPG (UK) Holdings plc
GPG Australia Nominees Limited
GPG Avenue Guarantee Limited
GPG Nominees Limited
GPG Pension Investment Trustees Limited
Guinness Peat Group UK Limited
GPG Coats Finance Limited
GPG Securities Trading Limited
Newbury Racecourse plc

Andrew Jackson**Current**

None

Past

None

- 12.13 Michael Hirschfield was a director of Corvus Capital Inc which went into members' voluntary solvent liquidation in December 2008 after distributing its assets to its shareholders. Anthony Reeves was a director of Courseleader UK Limited from July 2000 until April 2002. The company went into liquidation proceedings in May 2002 with debts of approximately £500,000. Mr Reeves was a director of PAS1 Limited which was put into members' voluntary liquidation in December 2012 with no assets or liabilities. Mr Reeves is a director of Brighter Prospects (Recruitment Services) Limited which was put into liquidation proceedings in May 2009 with a deficit to creditors of £1.4m. Mark Butcher was a director of Panfida Capital Plc, Panfida Group plc and Panfida Services (UK) Limited; the companies were put into liquidation in April 1992.
- 12.14 Except as disclosed in paragraph 12.13 of this Part 4, no Director or director of CloudTag Active has:
- 12.14.1 had any convictions in relation to fraudulent offences or unspent convictions in relation to indictable offences;
 - 12.14.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
 - 12.14.3 been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to so act;
 - 12.14.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;
 - 12.14.5 been subject to receivership in respect of any asset of such Director or of a partnership of which the Director was a partner at the time of or within 12 months preceding such event; or

- 12.14.6 been subject to any official public criticisms by any statutory or regulatory authority (including designated professional bodies) nor has such Director been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.
- 12.15 No Director or director of CloudTag Active has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current financial year which remains outstanding or unperformed.
- 12.16 In the case of those Directors and those directors of CloudTag Active who have roles as directors of companies which are not a part of the Group, although there are no current conflicts of interest, it is possible that the fiduciary duties owed by those Directors to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the Group. There are no potential conflicts of interest between the duties owed by the Directors to the Company and their private duties or duties to third parties.
- 12.17 Except for the Directors and the board of CloudTag Active and except for Samantha Cullum (employed as a marketing manager) and James Bligh (employed as a business development manager), the Board does not believe that there are any other senior managers who are relevant in establishing that the Company has the appropriate expertise and experience for the management of the Company's business.

13. Option Scheme

- 13.1 The Company has adopted the Option Scheme. For UK tax purposes the Option Scheme is a tax advantaged Enterprise Management Incentive scheme. The Option Scheme also has an annex enabling the grant of standard "unapproved" options that have no special tax advantages. The rules of the Option Scheme are summarised below.
- 13.2 Options have been granted, conditional upon Admission over 4,549,998 Ordinary Shares, representing 3.08 per cent. of the Enlarged Share Capital, at exercise prices of between the Subscription Price and 30p. Such options are exercisable for ten years from Admission. Options have been granted as follows:

Name	Number of Ordinary Shares under option
Andrew Jackson	3,349,998
Samantha Cullum	500,000
Anthony Reeves	250,000
Mark Butcher	250,000
Daniel Fry	200,000

13.3 *Dilution limit*

The number of shares which may be allocated shall not, when aggregated with the number of shares which have been allocated under the Option Scheme and any other employees' share scheme or any other form of share incentive scheme adopted by the Company, exceed fifteen per cent. of the Shares in issue immediately prior to that day.

13.4 *Grant of options*

The Scheme enables selected employees and directors (including non-executive directors) of the Company and designated subsidiaries to be granted options to acquire ordinary shares.

The grant of an option may be renounced by the grantee within 30 days. No option can be transferred, assigned or charged. No amount is payable on grant of an option.

13.5 *Exercise of options*

Options may be exercised in whole or part in accordance with the rules and any objective exercise conditions imposed by the Company. Earlier exercise may be permitted notwithstanding that any performance conditions may not have been met in the event of death of the option holder (where exercise is permitted by his personal representatives for 12 months). For persons who leave the employment of the Group (or their non-executive directorship terminates) by reason of injury, disability, redundancy or retirement, options may be exercised up to 40 days after their leaving date subject to any exercise criteria having been fulfilled or waived (unless the Remuneration Committee determine a longer period is justified). Options will lapse immediately where employment/non-executive directorship terminates for other reasons (unless the Remuneration Committee in its absolute discretion permits otherwise). Where the grantee becomes bankrupt or otherwise deprived of legal or beneficial ownership of the option, the option will lapse.

13.6 *Takeovers*

The grantee will be notified of any takeover bid, and provided any performance conditions have been fulfilled (or waived), may exercise their options within 40 days of an offer becoming unconditional, after which period the options will lapse.

13.7 *Liquidation*

The Board must notify an option holder of a liquidation and options may be exercised in the period between the date on which notice is given and the passing of any resolution for the winding-up of the Company. The shares will be deemed to have been issued prior to the passing of such a resolution.

13.8 *Adjustment of options*

In the event of a reorganisation of the Company, the number of shares subject to option and the exercise price may be adjusted as the Company may determine and may be confirmed to be reasonable by the Company's auditors. This may be retrospective if relevant to an already exercised option.

13.9 *Costs*

Costs of administration of the Option Scheme are to be borne by the Company.

13.10 *Termination*

If the Option Scheme is terminated the existing options will remain in full force. The scheme is not intended to form any contract of employment or consultancy and individuals who participate will not have any rights to damages for any loss, or potential loss of benefit, in the event of termination of their role.

14. Material contracts

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company in the last two years or are other contracts that contain provisions under which the Company have an obligation or entitlement which is material to the Company as at the date of this document:

Trading agreements

- 14.1 A shareholders' agreement dated 9 December 2011 and made between the Company, Toumaz Limited, Corvus Capital Limited and Michael Hirschfield. Under the

shareholders' agreement Toumaz Limited subscribed for 11,000,000 Ordinary Shares which were deemed paid up in full by Toumaz Limited procuring the grant of the technology licence agreement by Toumaz Healthcare Limited to CloudTag Active. At the time, the parties agreed that the Company would develop, market and sell sports and sports activities related products developed from certain Toumaz technology. By an agreement dated 28 September 2012 the shareholders' agreement was terminated with immediate effect. Each shareholder released the others from any liabilities arising under the agreement. In addition, Toumaz Limited agreed to transfer its Ordinary Shares as directed by the Company; such shares have now been transferred to Ambeson Limited.

- 14.2 A technology licence agreement, a trade mark licence agreement and product development agreement all dated 9 December 2011 and each made between Toumaz Healthcare Limited (as licensor or supplier) and CloudTag Active (as licensee or customer). These three agreements were all terminated by an agreement dated 28 September 2012 in which each party released the other from any liability arising under the agreements and Toumaz Healthcare Limited agreed to give CloudTag Active a credit against the purchase of goods and services from it in the three years from the date of the termination agreement.
- 14.3 A software development agreement dated 23 March 2012 as varied by an agreement dated 27 November 2012 and made between CloudTag Active and Preciousbluedot Limited ("PBD"). Under this agreement PBD is developing the graphic User Interface for products which implement or incorporate the intellectual property rights in the module. The agreement is terminable by CloudTag Active on one month's notice at any time and by PBD for breach. PBD earns £25,000 (excluding VAT) per month for its work. PBD will, in addition, be paid £10,000 (excluding VAT) per month, which will be payable on Admission, which amount will accumulate until Admission and be paid as a lump sum on Admission and monthly thereafter. PBD has agreed to capitalise £200,000 of its fees into 1,000,000 Ordinary Shares on Admission. From 1 January 2013 to 31 March 2013, PBD will be paid £35,000 per month to complete the development of the software. Any development work that is still required after that date will not be charged for. Between 1 April 2013 and 30 September 2013 PBD will be paid £10,000 per month for software integration. The intellectual property rights in the graphical User Interface will be owned by CloudTag Active.
- 14.4 An intra-company loan agreement dated 11 October 2012 between the Company and CloudTag Active recording the terms on which the Company had advanced £336,839 to CloudTag Active and the further sums that the Company may choose to advance. All such sums are repayable on demand and bear interest at the rate of 5 per cent. per annum over HSBC Bank plc base rate; interest is payable half yearly if demanded by the Company. The indebtedness is secured by a debenture dated 11 October 2012 in favour of the Company over the assets and undertaking of CloudTag Active.
- 14.5 A management services agreement dated 12 March 2013 between the Company and CloudTag Active pursuant to which the Company agreed to provide strategic management advice and, if appropriate, introductions to potential management team members and consultants, to CloudTag Active in consideration of the payment by CloudTag Active of a monthly fee of £25,000, payable in arrears on receipt of an invoice from the Company. The agreement may be terminated by either party for breach on one month's written notice. The agreement is governed by English law.
- 14.6 A licence agreement dated 12 March 2013 between the Company and CloudTag Active pursuant to which the Company licensed to CloudTag Active the right to use its intellectual property rights in connection with the manufacture, marketing and sale of the Products. CloudTag Active agreed to pay a royalty of 5 per cent. of the net sales price of each Product sold and a royalty of 3 per cent. of gross sub-licensing income. The

agreement may be terminated by either party for breach including change of control of CloudTag Active.

- 14.7 A trade mark licence agreement dated 13 December 2012, as subsequently varied, between Matt Roberts Personal Training Limited and CloudTag Active pursuant to which Matt Roberts Personal Training Limited granted to CloudTag Active a licence to use the "Matt Roberts" trade mark in connection with the Product until 31 December 2015. The agreement is terminable prior to such date for breach, including CloudTag Active's failure to meet annual performance targets. CloudTag Active will pay a royalty of 10 per cent. of sales of products bearing the "Matt Roberts" trade mark subject to an obligation to pay a minimum royalty of £50,000 during 2015 and of £125,000 during 2016.
- 14.8 A term sheet dated 13 February 2013 between CloudTag Active and Isansys under which Isansys has agreed to develop a Bluetooth application, a rechargeable battery and an accelerometer and to incorporate those developments into its LifeTouch Sensor together with embedded software, to form a module. Isansys has agreed to grant CloudTag Active exclusivity for use of the module in the sports and fitness market for 12 months from delivery of the initial order and provided that more than 25,000 modules are ordered in each 12 month period, that exclusivity will continue. CloudTag Active does not have to pay a separate fee for the hardware development work (although it did pay Isansys £20,000 in consideration of entering into the agreement) but will pay Isansys a royalty of 5 per cent. on net sales revenues of the Product whilst CloudTag Active retains its exclusivity. CloudTag Active will also pay a royalty of 5 per cent of net revenue from subscription income referable to its Cloud service for the 12 months following its launch. In addition, CloudTag Active will pay a royalty for the use of any software embedded in the module and will pay for each Product supplied, at a price to be agreed but which is no more than cost plus an agreed maximum margin. The term sheet is non-binding except for the provisions relating to exclusivity, the royalties, intellectual property, warranties, the cost of supplied Products and choice of law, all of which are binding obligations. The parties have agreed to use their respective best endeavours to enter into a definitive development and supply agreement within 90 days of the date of the term sheet.
- 14.9 An agency agreement for consultancy and creative design services between CloudTag Active and Seymour-Powell Ltd ("SP") dated 13 December 2012. Under this agreement SP is appointed as CloudTag's agent to provide design services in connection with the Product. SP is to be paid a monthly retainer. The agreement is terminable on either side on 60 days' notice. Provided SP's invoices are paid, all intellectual property rights in SP's work product in connection with the Product belongs to CloudTag Active.
- 14.10 The Company and CloudTag Active are parties to a development management agreement, which became effective on 1 November 2011 and remains in force for three years. The agreement provides for the appointment of CloudTag Active by the Company to exercise CloudTag Active's rights and obligations under the software development agreement with PBD and the agreement with Seymour-Powell Limited (together the "Product Development Agreements") in accordance with the Company's directions and instructions and for its benefit. The Company covers CloudTag Active's fees and expenses in so doing and CloudTag Active assigns to the Company any existing or future intellectual property rights it has or may acquire as a result of its work on the Product Development Agreements. The agreement is terminable on either side by one month's notice following the initial three year term.
- 14.11 A trade mark licence agreement dated 12 March 2013 between the Company and CloudTag Active pursuant to which the Company licensed to CloudTag Active the right to use the name, trade mark and trading name "CloudTag" including any stylised representation of that name, in connection with the business of marketing, selling or

promoting the Product or any other business as agreed with the Company. CloudTag Active agreed to pay a royalty of 0.25 per cent. of its aggregate annual turnover. The agreement is terminable by either party on 12 months' notice and earlier for breach.

Consultancy arrangements

- 14.12 A consultancy agreement between CloudTag Active and Matt Roberts dated 12 March 2013. The terms of this agreement provide for a monthly fee of £1,000, which will accrue from Admission and be payable monthly in arrears. Mr Roberts will assist the Company through the provision to the Company of his expertise in the field of technology and consumer health and wellbeing. In addition, Mr Roberts will assist in the introduction to, and liaison with, his contacts in the consumer health and wellbeing industry. The agreement is terminable on three months' notice on either side. The appointment may be terminated immediately if, among other things, Mr Roberts is in material breach of the terms of the agreement.
- 14.13 On 14 March 2013 CloudTag Active entered into a letter of appointment with Lee Musgrave in respect of his appointment as a non-executive director of CloudTag Active. The terms of this letter provide for an annual fee of £12,000, which will accrue from Admission and be payable monthly in arrears. The appointment is terminable on three months' notice on either side. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Musgrave is in material breach of the terms of the appointment.
- 14.14 On 14 March 2013 CloudTag Active entered into a letter of appointment with Pantelis Georgiou in respect of his appointment as a non-executive director of CloudTag Active. The terms of this letter provide for an annual fee of £12,000, which will accrue from Admission and be payable monthly in arrears. The appointment is terminable on three months' notice on either side. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Georgiou is in material breach of the terms of the appointment.
- 14.15 A letter of appointment dated 12 March 2013 between the Company and Kitwell Consultants Limited. Under this agreement Kitwell Consultants Limited was appointed as company secretary and agreed to provide administrative services in connection with Admission. The terms of the agreement provide for a fee payable by the Company of £1,000 per month. The agreement is terminable on three months' notice on either side.

Admission-related agreements

- 14.16 A nominated adviser agreement dated 12 March 2013 and made between the Company and Strand Hanson. Under this agreement Strand Hanson agreed to act as the Company's nominated adviser in consideration of any annual retainer of £40,000. The Company agreed to comply with its legal obligations and those of AIM and the London Stock Exchange and to consult and discuss with Strand Hanson all of its announcements and statements and to provide Strand Hanson with any information which Strand Hanson believes is necessary to enable it to carry out its obligations to the Company or the London Stock Exchange as nominated adviser. The Company agreed to indemnify Strand Hanson in respect of certain losses. The agreement is terminable on 30 days' notice on either side which in the case of a notice from the Company can only be given after an initial 18 month period.
- 14.17 An engagement letter dated 7 November 2012 entered into between the Company and KBR pursuant to which the Company has appointed KBR to act as Broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay KBR a fee of £25,000 for its services as Broker in connection with Admission and an annual retainer fee of £20,000 (plus VAT if applicable) payable quarterly in advance for its

- ongoing services as Broker following Admission. The agreement continues until terminated by either the Company or KBR giving three months' written notice to the other (such notice not to expire prior to an initial one year period).
- 14.18 An engagement letter dated 25 October 2012, as varied by a letter dated 21 December 2012, between the Company and Strand Hanson in connection with Strand Hanson's services for Admission pursuant to which Strand Hanson agreed to provide its services in connection with Admission, in consideration of which Strand Hanson will receive a cash fee of £100,000 payable on Admission together with 2,000,000 Ordinary Shares (at the Subscription Price).
- 14.19 An introduction agreement dated 14 March 2013 and made between the Company, the Directors, the directors of CloudTag Active and Strand Hanson (as nominated adviser to the Company) pursuant to which Strand Hanson agreed to use its reasonable endeavours to procure Admission. The Company has agreed to pay all costs and expenses relating to the application for Admission. The agreement is conditional upon, amongst other things, Admission having occurred on or before 30 April 2013. The agreement contains certain warranties and indemnities from the Company, the Directors and the directors of CloudTag Active in favour of Strand Hanson. It also contains provisions entitling Strand Hanson to terminate the agreement prior to Admission if, among other things, a breach of any of the warranties occurs or on the occurrence of an event fundamentally and adversely affecting the position of the Company.
- 14.20 Subscription Letters dated on or around 17 January 2012, as varied by letters dated 4 February 2013, between the Company and the Subscribers pursuant to which the Subscribers agreed to subscribe for 8,000,000 Ordinary Shares at 2 per share by 25 January 2012 and at the same time agreed to subscribe for the Subscription Shares at 20p per share, conditional upon Admission before 31 March 2013.
- 14.21 An agreement between the Company and Corvus Capital Limited dated 6 February 2013 documenting an earlier oral agreement pursuant to which the latter agreed to assist in procuring subscribers for the Subscription, assist with Admission and developing the Company's strategy in consideration of a fee to be settled in 3,600,000 Ordinary Shares at the Subscription Price.
- 14.22 Undertakings dated 14 March 2013 from each of the Directors, the directors of CloudTag Active, Corvus Capital Limited, Osuna Limited and certain other shareholders who in aggregate will hold 55.03 per cent. of the Enlarged Share Capital on Admission pursuant to which they have agreed with the Company and Strand Hanson not to dispose of any shares in the capital of the Company for a period of one year from Admission, other than in the event of an intervening court order or receipt of a takeover offer relating to the Company's share capital from an unconnected third party offeror. They have also agreed that for a further period of 12 months, they will only dispose of their Ordinary Shares with the consent of Strand Hanson or, if Strand Hanson is replaced as nominated adviser to the Company, such replacement nominated adviser from time to time.
- 14.23 Undertakings in favour of the Company and Strand Hanson from Shareholders who in aggregate will hold 8.29 per cent. of the Enlarged Share Capital on Admission not to dispose of any interest in their Ordinary Shares during the 90 days from Admission, other than in the circumstances specified in paragraph 14.22 above.
- 14.24 A contract for services made between the Company and Edison Investment Research Limited ("Edison"), dated 1 November 2012, under which Edison agreed to undertake market research and produce ongoing reports and forecasts in respect of the Company and its shares, as well as granting the Company access to its InvestorTrack data. Edison

will charge the Company £22,000 per annum for its service. The fee payable is subject to annual review on each anniversary of the agreement. The agreement is for a fixed term of 12 months but includes confidentiality provisions which apply to both parties for two years following its termination. The agreement contains an indemnity in favour of Edison in respect of any loss caused by the negligence, default or supply of inaccurate information by the Company, while Edison indemnifies the Company in respect of any loss caused by its failure to use due care and diligence in the performance of its obligations.

- 14.25 An agreement with an effective date of 1 October 2012 made between Gable Communications Limited and the Company for the provision to the Company of press relations consultancy services. The Company pays a monthly fee of £1,000 and on Admission will settle a project fee of £20,000 in Ordinary Shares at the Subscription Price.
- 14.26 An agreement dated 6 February 2013 between the Company and Alex Gilbert pursuant to which the Company agreed to settle Mr Gilbert's fee of £10,000 for services provided in connection with Admission by way of the allotment and issue of 50,000 Ordinary Shares at the Subscription Price.
- 14.27 The Registrar's agreement and the arrangements for the creation and issue of the Depositary Interests as set out in paragraph 15 of this Part 4.

15. CREST and Depositary Interests

15.1 Deed Poll

On 17 October 2012 the Deed Poll was executed by the Depositary.

The Depositary Interests will be created pursuant to and issued on the terms of the Deed Poll. The Deed Poll is executed by the Depositary, in favour of the holders of the Depositary Interests from time to time. Prospective holders of Depositary Interests should note that they will have no rights against CRESTCo or its subsidiaries in respect of the underlying Ordinary Shares or the Depositary Interests representing them. Ordinary Shares will be transferred to an account of the Depositary or its nominated custodian ("Custodian") and the Depositary will issue Depositary Interests to participating members.

Each Depositary Interest will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Depositary will pass on to holders of Depositary Interests any stock or cash benefits received by it as holder of Ordinary Shares on trust for such Depositary Interest holder. Depositary Interest holders will also be able to receive from the Depositary notices of meetings of holders of Ordinary Shares and other information to make choices and elections issued by the Company to the Shareholders.

In summary, the Deed Poll contains, amongst other things, provisions to the following effect:

- the Depositary will hold (itself or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the Depositary or Custodian pertaining to the Depositary Interests for the benefit of the holders of the Depositary Interests. The Depositary will re-allocate securities or distributions allocated to it or the Custodian *pro rata* to the Ordinary Shares held for the respective accounts of the holders of Depositary Interests but will not be required to account for fractional entitlements arising from such re-allocation;

- holders of Depositary Interests warrant, amongst other things, that the securities in the Company transferred or issued to the Depository or Custodian for the account of the Depositary Interest holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's articles of association or any contractual obligation, or applicable law or regulation binding or affecting such holder;
- the Depository and any Custodian must pass on to Depositary Interest holders, or exercise on their behalf, all rights and entitlements received by the Depository or the Custodian in respect of the underlying securities. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on, or exercised in accordance with the Deed Poll. If arrangements are made which allow a holder to take up rights in the Company's securities requiring further payment, the holder must put the Depository or its appointed agent in cleared funds before the relevant payment date or other date notified by the Depository if it wishes the Depository to exercise such rights;
- the Depository will be entitled to cancel Depositary Interests and treat the holders as having requested a withdrawal of the underlying securities in certain circumstances including where a Depositary Interest holder fails to furnish to the Depository such certificates or representations as to material matters of fact, including his identity, as the Depository deems appropriate;
- the Deed Poll contains provisions excluding and limiting the Depository's liability to a maximum of £5 million. For example, the depository shall not be liable to any Depositary Interest holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depository shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent;
- the Depository is entitled to charge holders of Depositary Interests reasonable fees and expenses for the provision of its services under the Deed Poll;
- the holders of Depositary Interests are required to agree and acknowledge with the Depository that it is their responsibility to ensure that any transfer of Depositary Interests by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the Depository if this is not the case, and to pay to CRESTCo any interest, charges or penalties arising from non-payment of stamp duty reserve tax in respect of such transaction;
- the Depository is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of Depositary Interest holders;
- the Depository may terminate the Deed Poll by giving 30 days' notice. During such notice period holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depository must, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest holders or, at its discretion, sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of

any such sale, after deducting any sums due to the Depository, together with any other cash held by it under the Deed Poll *pro rata* to holders of Depository Interests in respect of their Depository Interests; and

- the Depository or the Custodian may require from any holder information as to the capacity in which Depository Interests are or were owned and the identity of any other person with or previously having any interest in such Depository Interests and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of Depository Interests and such information as is required for the transfer of the relevant Ordinary Shares to the holders. Holders agree to provide such information requested and consent to the disclosure of such information by the Depository or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Company's articles of association require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Company's securities, the holders of Depository Interests are to comply with the Company's instructions with respect thereto.

It should also be noted that holders of Depository Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of the Ordinary Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of Depository Interests to give prompt instructions to the Depository to vote the underlying shares on their behalf.

15.2 *Depository Services and Custody Agreement*

The Company has entered into a depository services and custody services agreement dated 7 November 2012 between the Company and the Depository ("Depository Agreement"). The Depository Agreement relates to the Depository's appointment as Depository and Custodian in relation to the Ordinary Shares, including the issue and cancellation of depository interests and maintaining the Depository Interests register.

The depository services and custody services is terminable on not less than three months' notice following expiry of the one year fixed term. On termination, the parties agree to phase out the Depository's operations in an efficient manner without adverse effect on members and the Depository shall deliver to the Company (or as it may direct) all documents and other records relating to the Depository Interests which is in its possession and which is the property of the Company.

15.3 *Registrar Agreement*

Pursuant to an agreement dated 4 December 2012 between the Company and the Registrar, the Registrar has agreed to provide registry services for the Company. The agreement contains a general indemnity in relation to losses suffered by either party as a result of breach of the agreement, fraud, willful default or negligence. The agreement is terminable on three months' notice on either side. Either party may terminate on notice to the other in the event of the other party's persistent material breach or insolvency. If the agreement is terminated by the Company otherwise than as a result of the Registrar's fraud, negligence, willful default or material breach, the Company shall be responsible for the Registrar's reasonable costs in transferring the register to a new registrar.

16. **Working capital**

Taking into account the net proceeds of the Subscription, the Company and the Directors are of the opinion, having made due and careful enquiry, that the Group will have sufficient working capital for its present requirements, that is, for at least 12 months from the date of Admission.

17. Litigation

The Group is not involved in any governmental, legal or arbitration proceedings which have or, since incorporation, may have had, a significant effect on the Company's financial position or profitability nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against the Company or CloudTag Active.

18. Intellectual property

The Company is dependent on Isansys to develop the ECG module and on the software interface which has been developed for it by Preciousbluedot.

19. Premises

The Company does not own any premises.

20. Significant changes

Other than for the receipt of the Subscription proceeds, there has been no significant change in the financial or trading position of the Company since 30 September 2012, the date to which the most recent financial information is available.

21. Taxation

The following paragraphs are intended as a general guide only for Shareholders who are resident, ordinarily resident and domiciled in the United Kingdom for tax purposes. The statements only apply to Shareholders who are beneficial owners of Ordinary Shares or Depository Interests and are not applicable to all categories of Shareholders, and in particular, are not addressed to:

- 21.1 Shareholders who do not hold their Ordinary Shares or Depository Interests as capital assets;**
- 21.2 Shareholders who own (directly or indirectly) ten per cent. or more of the Company; and**
- 21.3 special classes of Shareholders such as dealers in securities or currencies, broker-dealers or investment companies.**

The statements do not purport to be comprehensive or to describe all potential relevant considerations. They are based on current legislation and UK HM Revenue & Customs' practice. Any Shareholder or prospective purchaser of Ordinary Shares or Depository Interests should consult their professional advisers on the possible tax consequences of acquisition, ownership and disposition under the laws of their particular citizenship, residence and/or domicile.

Stamp duty and stamp duty reserve tax ('SDRT')

No UK stamp duty or stamp duty reserve tax is payable on the first issue of the Ordinary Shares or the issue of Depository Interests by the Depository.

Any subsequent transfer of the Ordinary Shares may in principle give rise to a liability to ad valorem stamp duty on the transfer document at the rate of 0.5 per cent. on the amount or value of the consideration paid (rounded up to the next multiple of £5).

An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

In practice, no charge to stamp duty will arise in relation to a subsequent transfer of Ordinary Shares held in certificated form provided that all instruments relating to the transfer are executed and retained outside the UK and do not relate to matters or actions performed in the UK. However any instrument effecting or evidencing a transfer of Ordinary Shares held in certificated form whether executed in the UK or offshore will not be admissible as evidence in UK civil proceedings unless duly stamped.

Interest on unpaid stamp duty will accrue from 30 days after the date the instrument was executed.

No charge to SDRT will arise in respect of an agreement to transfer Ordinary Shares held in certificated form, provided such shares are not registered in any register kept in the UK by or on behalf of the Company.

Agreements to transfer Depository Interests are liable to SDRT at the rate of 0.5 per cent. of the value of the consideration for the transfer. The charge is generally borne by the purchaser unless other arrangements have been put in place.

Liability to pay any SDRT is generally that of the transferee or purchaser. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the member or dealer will normally account for the collection and payment of the tax, but in all other cases the transferee or purchaser must account for the tax to HM Revenue & Customs.

Persons operating clearance services or depository receipt schemes may be required to account for stamp duty and SDRT at rates higher than those referred to above.

Taxation of chargeable gains

A subsequent disposal of the Subscription Shares or Depository Interests by persons resident or ordinarily resident in the United Kingdom in a tax year which gives rise to capital gains may be liable to capital gains tax (individuals and trustees) or corporation tax (companies). Liability to tax and the rate of tax will depend on the Shareholder's circumstances and the availability of exemptions or allowable losses.

Indexation allowance, which increases the acquisition cost of an asset in line with the rise in the retail price index, is available for corporate Shareholders during the period of ownership.

For individuals and trustees, entrepreneurs' relief may be available to reduce the amount of capital gains tax payable on the gain, subject to satisfying all of the relevant conditions.

Individuals and certain trusts have an overall annual exemption from capital gains tax for the first £10,600 of chargeable gains in the tax year to April 2012. Settlements have an equivalent exemption of up to £5,300 in the tax year to April 2012. The annual exempt amount is subject to change.

Generally, losses realised on the disposal of assets may be set against other gains made during the tax year or carried forward and set against gains in future tax years.

Different tax treatment applies to persons who trade in securities.

Persons who are neither resident nor ordinarily resident in the United Kingdom will not normally be liable to tax in the United Kingdom in respect of any gain accruing to them on a disposal of the Subscription Shares or Depository Interests. The terms of a relevant double taxation treaty may apply to persons with dual residence.

Taxation of dividends

Under current UK tax legislation, no tax will normally be required to be withheld from dividend payments by the Company. Any Shareholder who is resident in the UK, or who carries on a trade, profession or vocation in the UK to which the shares are attributable, will generally

be subject to UK tax on income in respect of any dividends paid on the Ordinary Shares or Depository Interests.

Dividends paid to a UK resident corporate shareholder will be assessable income of the shareholder.

It is intended that the Company will initially be controlled from the Cayman Islands although it should be noted that the jurisdiction from which the Company will be controlled in the future has yet to be resolved. As a consequence, the Company could be resident for tax purposes in a jurisdiction other than the Cayman Islands. This may lead to the Company being required to withhold tax from dividends. The existence of relevant double taxation treaties could then affect this matter further.

Individuals ordinarily resident in the United Kingdom should note that section 714 of the Income Tax Act 2007, which contains provisions for preventing the avoidance of income tax through transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company.

These comments are intended only as a general guide to the current tax position in the UK at the date of this document. The rates and basis of taxation can change and will be dependent on a shareholder's personal circumstances.

Neither the Company nor its advisers warrant in any way the tax position outlined above which, in any event, is subject to changes in the relevant legislation and its interpretation and application.

22. General

- 22.1 No exceptional factors have influenced the Company's activities.
- 22.2 Except as disclosed in this document, there have been no significant authorised or contracted capital commitments at the date of publication of this document.
- 22.3 The expenses of Admission and the Subscription are estimated at £414,000 and are payable by the Company.
- 22.4 Except as stated in this document and for the advisers named on pages 9 and 10 of this document and trade suppliers, no person has received, directly or indirectly, from the Company within the 12 months preceding the date of this document or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Subscription Price or any other benefit with a value of £10,000 or more at the date of Admission.
- 22.5 Strand Hanson has given and not withdrawn its written consent to the issue of this document with references to their name in the form and context in which they appear.
- 22.6 KBR has given and not withdrawn its written consent to the issue of this document with references to their name in the form and context in which they appear.
- 22.7 The reporting accountants, Grant Thornton, have given and not withdrawn their written consent to the issue of this document with the inclusion in it of its report and references to it in the form and context in which it appears. Grant Thornton is a member firm of the Institute of Chartered Accountants in England and Wales.

- 22.8 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 22.9 The Company's accounting reference date is 30 September.
- 22.10 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 434(3) CA 2006.
- 22.11 Details of related party transactions (which for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002) entered into by the Company during the period covered by the historical financial information and up to the date of this document are contained in note 11 to the financial information for the period ended 30 September 2012.
- 22.12 The Subscription Shares will be issued and allotted under the laws of the Cayman Islands and their currency will be pounds Sterling.
- 22.13 The Subscription Price represents a premium above the nominal value of an Ordinary Share.
- 22.14 It is expected that CREST accounts will be credited as applicable on the date of Admission. Where Subscribers have requested to receive their New Ordinary Shares in certificated form, temporary documents of title will not be issued pending despatch of share certificates. Share certificates will be despatched by first-class post within 14 days of the date of Admission.
- 22.15 Except as disclosed in this document, as far as the Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably expected to have a material effect on the Company's prospects for at least the current financial year.
- 22.16 As far as the Directors are aware, there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.

23. Copies of this document

Copies of this document will be available to the public free of charge at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG during normal business hours on any weekday (other than Saturdays and public holidays), until one month following the date of Admission.

Dated: 14 March 2013

