CloudTag Inc.

Annual Report and Accounts

For the year ended 30 September 2013

Corporate Advisers

Registered office:	Zephyr House Mary Street PO Box 709 Grand Cayman KY1-1107 Cayman Islands	**Nominated adviser:**	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Directors:	T Reeves M Hirschfield A Jackson G Bodhi	**Registrars:**	Computershare Investor Services (Cayman) Limited Windward 1 Regatta Office Park West Bay Road Grand Cayman KY1-1103 Cayman Islands
Secretary:	Kitwell Consultants Limited Kitwell House The Warren Radlett Hertfordshire WD7 7DU	**Solicitors:**	Fladgate LLP 16 Great Queen Street London WC2B 5DG
Assistant Secretary:	CARD Corporate Services Limited 122 Mary Street PO Box 709 Grand Cayman KY1-1107 Cayman Islands	**Auditor:**	Grant Thornton UK LLP Registered Auditor Chartered Accountants Colmore Plaza 20 Colmore Circus Birmingham B4 6AT

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Chairman's Statement

I am pleased to announce that CloudTag's development of its wearable technology devices is ahead of the schedule laid out in the May 2013 AIM admission document, with the Company currently completing the final testing of the User Interface and development of the Cloud interface in April of this year. CloudTag plans to launch this first product, the User Interface or 'Wellness App', in Q2 2014, which would allow us to bring our first product to market in line with the timing outlined in the AIM Admission document and deliver the Company's first revenue stream.

Management continues to monitor the Company's costs carefully and evaluate its working capital requirements against the evolving business model and potential opportunities to commence sales of CloudTag's products. These results, which are under the forecasted budget, reflect the costs of developing the Company's first products and of investment in the infrastructure for the continued development and marketing of the Company's products and initial sales activity.

The CloudTag 'Wellness App' aims to use cutting edge 'gamification', communities and competition to create a unique user experience and will include, on launch, high quality professional wellness and sporting video content to your mobile device. The Company plans to launch the "Wellness App" in Q2 2014 initially through Apple Incorporated's App Store and subsequently through similar retailers on Google's Android platform, allowing CloudTag to access a substantial user base. The software development of the 'Wellness App' continues in collaboration with Preciousbluedot Limited ("Preciousbluedot"). I am pleased to have Preciousbluedot as a shareholder in CloudTag as their team gives us an enormous wealth of experience in creating global customer-facing engaging technology products.

Preciousbluedot was formed from part of the executive management team at Rare Limited ("Rare"). From its roots as UK software house Rare achieved critical acclaim for games releases including Donkey Kong Country, GoldenEye 007 and Perfect Dark and went on to sell 110 million games world wide. Rare was acquired by Microsoft Corporation for $375 million in 2002 and the Rare team went on to develop the Microsoft Xbox Kinect software technology and Microsoft Xbox avatar platform. We believe that they are extremely well-placed to use these proven programming and software development skills to create a CloudTag product offering which builds customer loyalty, and enables CloudTag to deliver what we believe will be a unique product to market with significant growth potential. The Wellness App has been targeted at weight loss and wellbeing markets through to sports and weekend-warrior markets. The software has been designed and built on a flexible and scalable platform that ensures it's accessible to the individual gym user as well as the competitive athlete or sports person across a range of disciplines.

CloudTag has completed the design of its core hardware device and, subject to the availability of funding, will be launching a range of wearable devices, which will incorporate vital-sign monitors that include clinical-grade ECG monitoring technology. The Company is in advanced discussions with a number of manufacturing partners with a view to enabling the mass manufacture of its devices in advance of the hardware launch. The devices will include a system for intelligent wireless body monitoring that facilitates real-time vital-sign data collection communicating using Bluetooth Low Energy directly to the tablet or smartphone. The wearable devices will have the added feature of being entirely waterproof, enabling them to be used for swimming and watersports.

Other Opportunities

The flexibility of the CloudTag software platform has opened additional business opportunities to develop customised apps for corporate customers using the software platform architecture developed by CloudTag. Corporate sales opportunities continue at a pace as negotiations with 3 global gym chains and 2 global health insurers are approaching a conclusion. We look forward to updating the market on these exciting developments. These sales opportunities continue alongside our ongoing discussions with suitable global distribution partners and retailers in the UK and US for the sale of the wearable devices

Fund Raising

As also announced today, the Company has conditionally raised gross proceeds of £450,000, through the issue of 5,625,000 new Ordinary Shares of 0.1pence each at a placing price of 8 pence per Ordinary Share with certain existing and new investors (the "Placing"). The Placing, which was conducted through a direct subscription to the Company, is conditional, *inter alia*, upon the granting of shareholder approval at the Company's AGM to be held on 23 April 2014 due to the Board not having authority at the time of releasing these financial statements to issue the additional shares. A notice of general meeting is being sent to shareholders today. The Directors have obtained irrevocable undertakings to vote in favour of the resolution to disapply pre-emption rights from shareholders holding in excess of 51 per cent of the issued share capital of the Company. A number of the investors have agreed to deposit a total of £150,000 of their subscription in advance of being issued the shares. As part of the Placing, each subscriber will also receive a warrant to subscribe for new equity shares at 8 pence on a one-for-one basis for a period of three years from the date of grant. Further information on the proposed placing and attached warrant is disclosed in the separate announcement released today.

In the unlikely event that the Placing does not proceed, the Company will be forced to seek alternative sources of financing which may or may not be on equivalent terms to that of the proposed Placing.

Results

In the year to 30 September 2013, the Group recorded a loss before and after tax of £2,840,000 (30 September 2012: £660,000). This includes certain fees settled in shares pursuant to admission and non-recurring costs associated with product development.

Share based payments (a non-cash item) amounted to £627,000, compared with £Nil in the previous year, development costs increased to £580,000 from £388,000 and other administrative expenses were £1,633,000 in the period, including £1,451,000 of costs associated with or settled on admission, compared with £272,000 the previous year. The Directors do not recommend the payment of a dividend at this time.

Outlook

The prime motivation to listing on the AIM market in London was to have access to capital and to give shareholders the opportunity to invest in the wearable technology market which is predicted to grow to $19 billion by 2018, from $1.4 billion in 2013.

CloudTag has made considerable progress with its strategy to develop its innovative solutions for the fitness and wellbeing markets. We look forward to launching our initial product in the coming months and updating the market on the conclusion of commercial discussions.

I would like to thank our partners, the management team and our employees for their dedication and effort during an intensive and eventful year for Cloudtag.

Tony Reeves
Chairman

31 March 2014

cloudtag

Strategic Report

Business review

The company has maintained a tight control of costs throughout the year and has focused all of its resources on the development of the products, detailed in the Chairman's Statement.

These results represent the initial costs of developing the Company's first products and the infrastructure for the continued development, marketing and initial sales activity. The Board expects that the Company will begin generating revenue in Q2 2014 following the launch of the 'Wellness App'.

Aims and objectives

To develop the user interface or "Wellness App" and create downloadable user content and training programmes in collaboration with industry professionals. To design, develop and sell unique wearable devices for global retail and distribution.

Key Performance Indicators

Given the early stage of the Company's development and its current scale of operations, the Board does not consider the use of particular financial or operational KPIs. The Board manages its cash flow on a week by week basis and measures the performance of its third party developers against contractual arrangements.

Business risks

There are a number of potential risks and uncertainties which could adversely impact the achievement of our corporate aims.

The Group faces risks frequently encountered by new companies. In particular, its future growth and prospects will depend on its ability to fund and 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.

In order to mitigate these risks the Company maintains regular dialogue with its core investors regarding the possibility of providing additional funding as and when required. The Company maintains systems commensurate with the current development stage of the business and has plans to develop further appropriate systems when revenue streams commence.

Development of the products

CloudTag's development of the products is on-going. There are a number of steps in the development and requisite approval process of the products to be completed before the products 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 launch of the products. The products may need additional testing in order to be sold in certain markets. Whilst the Directors do not anticipate that this testing will be problematic, it may create a delay in launching the products in those regions and could incur additional costs.

The company seeks appropriate legal advice regarding the processes and requirements and maintains dialogue with developers to ensure milestones are set and met.

Reliance on third-party contractors

The Group relies 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. The Company cannot guarantee that there will not be a prolonged disruption in the supply of the modules.

The Company maintains good relationships with developers through regular contact. It also reviews alternative supply arrangements to ensure that the Company has a second supplier should any issues arise.

Legal and contractual risks

CloudTag Active has entered into a number of significant contractual arrangements with third parties in connection with the products 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.

To mitigate this risk, in negotiating contracts the Company engages lawyers with suitable expertise to ensure contractual terms are valid, and secondly wherever possible contracts are written subject to English law and enforced by English courts.

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.

The Company is careful to conduct due diligence and to vet its customers and contractors to ensure a high standard of conduct in order to mitigate this risk.

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.

The Company seeks to ensure that its insurance cover is adequate for perceived material risks. Furthermore all of the Company's literature contains disclaimers and protections.

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 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. In order to mitigate this risk, the Company examines market movements and customer driven developments to ensure it continues to utilise cutting edge technology.

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.

The company initiated this project during one of the harshest economic climates in decades and was established on a basis designed to be resilient to adverse economic conditions.

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Directors are responsible for co-ordinating the Group's risk management and focus 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 risks to which the Group is exposed are described below:

Cash flow risks

The Group seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs by investing cash assets safely and profitably. The Directors prepare rolling cash flow forecasts and seek to identify the need and raise additional funding whenever a shortfall in facilities is forecast. Further information on going concern is given below.

Currency risks

The Group does not seek to hedge its foreign exchange risk and the Directors consider that the exposure to movements in foreign currencies is not significant. At the time when the Directors consider that exposure to foreign exchange trading risks becomes significant they will seek to adopt appropriate hedging strategies and products.

Going concern

At 30 September 2013 the Group held cash balances of £556,000. The Group has not earned revenue during the year ended 30 September 2013 or subsequent to this date and remains in the development phase. To this point, the operations of the business have been financed from the funds raised on Admission to AIM and the Group will continue to require the support of its existing and future shareholders.

The Directors have considered the cash requirements of the business for the next 12 months. As part of this process, they have prepared detailed cashflow forecasts which assume that no revenue is generated by the Group and demonstrate that the Group will require working capital of a minimum of £400,000 throughout the period extending to at least 12 months from the date of approval of these financial statements.

The forecasts include only unavoidable third party running costs of the Group and any committed expenditure at the date of approving the financial statements. The forecasts also assume that certain existing creditors will not be settled until the business has raised additional funds from a future fund raising. The creditors have been made aware of this fact and in the event that no future fundraising completes, these creditors will remain unpaid.

Fundraising

The Directors expect to raise £450,000 from a placing of 5,625,000 shares at 8p per share, which is expected to complete on 24 April 2014. Prior to the subscription the directors have obtained legally binding Placing letters from subscribers confirming the subscriptions in full subject only to the approval of the resolution to dis-apply pre-emption rights to allow the issue of the subscription shares. At the time of releasing these financial statements the board does not have authority to issue the additional shares and they have therefore obtained confirmation from 51% of the existing shareholders that they will vote in favour of approval of the resolution to dis-apply pre-emption rights for the subscription shares at the AGM on 23 April 2014. A number of the investors have agreed to deposit a total of £150,000 of their subscription in advance of being issued the shares. As part of the Placing, each participant will also receive a warrant to subscribe for new equity shares at 8 pence on a one-for-one basis.

The directors are confident that the placing letters and the irrevocable undertakings in place from shareholders in respect of voting in favour of the dis-application resolution give sufficient comfort that the full value of £450,000 of funds will be available to the Group on or around 24 April 2014. However they recognise that there is a risk that the total funds raised may vary and that there may be delays receiving the full placing proceeds.

On the basis of the assumptions above and following a detailed review by the Directors of the group's cashflow requirements, the directors believe that the Group has sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

Future prospects

CloudTag has made considerable progress with its strategy to develop its innovative CloudTag solutions for the fitness and wellbeing markets. We look forward to launching our products in 2014 and concluding commercial discussions.

Andy Jackson
Chief Executive Officer

On behalf of the board

31 March 2014

Report of the Directors

Domicile and principal place of business

Cloudtag Inc. is domiciled in the Cayman Islands. Its principal place of business is the United Kingdom.

Directors

The Directors who served during the year are set out below.

T Reeves (appointed 20/03/2013)
M Hirschfield
A Jackson
M Butcher (appointed 20/03/2013, resigned 20/11/2013)
K Steffen (resigned 20/03/2013)
J Unden (resigned 20/03/2013)
G Bodhi (appointed 20/11/2013)

In March 2013 following the successful admission to AIM, Tony Reeves and Mark Butcher were appointed to the Board following the resignations of Kathy Steffen and Joanna Unden. In November 2013, Mark Butcher resigned to focus on his other business interests, and we are delighted to welcome Gabe Bodhi to the Board.

Substantial shareholdings

The only interests in excess of 3% of the issued share capital of the Company which have been notified as at 5 March 2014 were as follows:

	Ordinary shares of 0.25p each Number	Percentage of capital %
Platform Securities Nominees Limited	33,575,000	22.72
Osuna Limited	30,975,000	20.96
Corvus Capital Limited	28,800,000	19.49
W B Nominees Limited	13,312,500	9.01
Mr Mike Hirschfield	6,875,000	4.65
Secure Nominees Limited	4,690,000	3.17

Financial risk management objectives and policies have been included in the Strategic Report as they have been considered to have strategic significance.

Directors' responsibilities

The Company was incorporated as a corporation in the Cayman Islands, which does not prescribe the adoption of any particular accounting framework. Accordingly, the Board have resolved that the Group will follow International Financial Reporting Standards as adopted by the European Union (IFRSs) when preparing its annual financial statements.

The Directors prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group transactions and disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the preparation of the Report of the Directors and other information in the annual report.

In so far as the Directors are aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors confirm that the accounting policies adopted in the preparation of the financial statements are appropriate to the Group, have been consistently applied and are supported by reasonable prudent judgements and estimates. All applicable accounting standards have been followed.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office. A resolution to re-appoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

On behalf of the board

Kitwell Consultants Limited
Company Secretary

31 March 2014

Corporate Governance

The Group supports the concept of an effective Board leading and controlling the Group. The Board is responsible for approving Group policy and strategy. It meets on a regular basis, at least six times a year, and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Group's expense.

The Board consists of a non-executive Chairman and an executive director, who holds the key operational position in the Group, and two non-executive directors, who togther all bring a breadth of experience and knowledge.

Relations with shareholders

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. The Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

Internal control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Audit Committee, comprising of Mike Hirschfield, Gabe Bodhi and chaired by Anthony Reeves, meets at least twice a year to 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 Gabe Bodhi, meets at least twice a year and 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. A separate report on remuneration is contained on pages 10 – 11.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

Report on Remuneration

Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to shareholders. The Group operates within a competitive environment where performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

Policy on executive Directors' remuneration

A separate remuneration committee has been established comprising three non-executive directors, T Reeves, G Bodhi and M Hirschfield.

The Remuneration Committee meets at least twice a year and is responsible for recommending to the Board the policy and structure for the remuneration of the Executive Directors and senior management and approving performance based remuneration. The Remuneration Committee also fulfils the role of an options committee for the Employee Share Option Scheme and its main duty in this context is to approve the grant of options to relevant employees.

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives.

The remuneration of the Directors was as follows:

	T Reeves (appointed 20 March 2013) £	A Jackson £	M Hirschfield £	M Butcher (appointed 20 March 2013, resigned 20 November 2013) £	K Steffen (resigned 20 March 2013) £	J Unden (resigned 20 March 2013) £	Total £
Short-term employment benefits:							
Year to 30 September 2013							
Salary and fees	15,000	32,000	24,000	6,250	–	–	77,250
Share based payments	29,075	133,672	–	29,075	–	–	191,822
Total	**44,075**	**165,672**	**24,000**	**35,325**	–	–	**269,072**
Employers NI	–	**2,062**	**209**	–	–	–	**2,271**

During the year ended 30 September 2012 no directors were remunerated.

In addition to the fees above, the Company was charged £7,000 by Kitwell Consultants Limited, a company beneficially owned by Mr Hirschfield, for Company Secretarial and administrative services.

The Group has not made contributions to post-employment benefits, other long-term benefits or other termination benefits in respect of any of the Directors, nor were any benefits in kind paid.

Bonuses

No amounts are payable for bonuses in respect of the year ended 30 September 2013 or the period ended 30 September 2012.

Notice periods

The Directors all have three month rolling notice periods.

Share option incentives

At 30 September 2013 the following share options were held by the Directors.

	Date of grant	Exercise price	Number of options
A Jackson	19 March 2013	20p	2,250,000
A Jackson	19 March 2013	25p	600,000
A Jackson	19 March 2013	30p	499,998
T Reeves	19 March 2013	20p	250,000
M Butcher	19 March 2013	20p	250,000

Options Granted 19 March 2013

The share options for Messrs Reeves and Butcher are exercisable immediately. Of the options granted to Mr Jackson 1,111,666 were exercisable following admission to AIM and launch of products within 12 months from Admission, 1,111,666 are exercisable when turnover has exceeded £750,000 in any one month and share price has been at least 40p for 5 consecutive trading days, and 1,111,666 are exercisable when turnover has exceeded £1,500,000 in any one month and share price has been at least 60p for 5 consecutive trading days.

All options lapse after ten years.

The highest and lowest share price for the year was 20p and 14.5p respectively. The share price at 30 September 2013 was 14.5p.

Report of the Independent Auditor

to the members of CloudTag Inc.

We have audited the group financial statements of CloudTag Inc. for the year ended 30 September 2013, which comprise the Principal Accounting Policies, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of the Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the group financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the group financial statements sufficient to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the group financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements give a true and fair view of the state of the group's affairs as at 30 September 2013 and of its loss for the year then ended in accordance with IFRSs as adopted by the European Union.

Grant Thornton UK LLP
Statutory Auditors, Chartered Accountants
BIRMINGHAM

Date: 31 March 2014

Principal Accounting Policies

1. Basis of Preparation

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 Group's shares are listed on AIM, a market operated by the London Stock Exchange plc.

The principal accounting policies applied by the Group 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

At 30 September 2013 the Group held cash balances of £556,000. The Group has not earned revenue during the year ended 30 September 2013 or subsequent to this date and remains in the development phase. To this point, the operations of the business have been financed from the funds raised on Admission to AIM and the Group will continue to require the support of its existing and future shareholders.

The Directors have considered the cash requirements of the business for the next 12 months. As part of this process, they have prepared detailed cashflow forecasts which assume that no revenue is generated by the Group and demonstrate that the Group will require working capital of a minimum of £400,000 throughout the period extending to at least 12 months from the date of approval of these financial statements.

The forecasts include only unavoidable third party running costs of the Group and any committed expenditure at the date of approving the financial statements. The forecasts also assume that certain existing creditors will not be settled until the business has raised additional funds from a future fund raising. The creditors have been made aware of this fact and in the event that no future fundraising completes, these creditors will remain unpaid.

Fundraising

The Directors expect to raise £450,000 from a placing of 5,625,000 shares at 8p per share which is expected to complete on 24 April 2014. Prior to the subscription the directors have obtained legally binding Placing letters from subscribers confirming the subscriptions in full subject only to the approval of the resolution to dis-apply pre-emption rights to allow the issue of the subscription shares. At the time of releasing these financial statements the board does not have authority to issue the additional shares and they have therefore obtained confirmation from 51% of the existing shareholders that they will vote in favour of approval of the resolution to dis-apply pre-emption rights for the subscription shares at the AGM on 23 April 2014. A number of the investors have agreed to deposit a total of £150,000 of their subscription in advance of being issued the shares. As part of the Placing, each participant will also receive a warrant to subscribe for new equity shares at 8 pence on a one-for-one basis.

The directors are confident that the placing letters and the irrevocable undertakings in place from shareholders in respect of voting in favour of the dis-application resolution give sufficient comfort that the full value of £450,000 of funds will be available to the Group on or around 24 April 2014. However they recognise that there is a risk that the total funds raised may vary and that there may be delays receiving the full placing proceeds.

On the basis of the assumptions above and following a detailed review by the Directors of the group's cashflow requirements, the directors believe that the Group has sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

(c) Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the Statement of Financial Position 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 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- IFRIC 21 Levies (effective 1 January 2014)
- Amendments to IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 36 and IAS 39 (effective 1 January 2014)
- Amendments to IAS 19 and the annual updates to various other standards (effective 1 July 2014)

There are other standards in issue but not yet effective, which are not likely to be relevant to the group which have therefore not been listed.

(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 Statement of Financial Position 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 Statement of Financial Position 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) Share based payments

Options

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense recognised in prior periods if fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

(l) Fees settled in shares

Where shares have been issued as consideration for services provided they are measured at the fair value of the services provided. The difference between the carrying amount of the financial liability (or part thereof) extinguished, and the fair value of the shares, is recognised in profit or loss.

(m) 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.

(n) Segmental reporting

As the Group has not generated any revenue 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.

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.

Development costs

In applying the Group's accounting policies, the directors have made a key accounting judgement regarding whether to capitalise development costs. To this point, development costs have not been capitalised owing to the early stage of the business's development and the view that, at this stage, the directors do not consider that all of the conditions have been met as set out in the accounting policy on page 15. The Board will continue to keep this treatment under review and when the development project is at the stage where these conditions are met, future development costs will be capitalised and amortised in line with the prescribed accounting policy.

Share based payments

In assessing the fair value of the share options granted the directors have made a number of assumptions. The directors have applied a Black-Scholes valuation model in determining the value of the share options granted on 19 March 2013. 2,583,332 of these options have market conditions attached and these market conditions have not been incorporated in determining the fair value of the options at the grant date. The directors do not consider that the impact of incorporating the market conditions has a material impact on the fair value. The directors have also made assumptions in respect of when options will vest based on the best estimate of when performance conditions will be met and have assumed that all options will vest as these conditions will be met within the exercise period.

In considering the fair value of services provided where consideration has been settled in shares, the directors have discussed with the service provider the services provided and estimated the cash amount that would have otherwise been due for those services. Shares have been issued at the Admission price to the value equivalent to the fair value of the services provided.

Going concern

The directors also consider the appropriateness of preparing the accounts on a going concern basis to be a significant judgement area. The business has made losses in the year and therefore the board has given due consideration to the preparation of the financial statement on a going concern basis. The details of the directors' review and conclusion are set out in the accounting policies under the heading "Going concern" in note 1(b).

Consolidated Statement of Comprehensive Income

	Note	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Administrative expenses			
Share based payments	6	**(627)**	–
Research and development costs		**(580)**	(388)
Other administrative expenses	1	**(1,633)**	(272)
Total administrative expenses		**(2,840)**	(660)
Loss from operations and loss before taxation		**(2,840)**	(660)
Loss before taxation		**(2,840)**	(660)
Taxation	2	**–**	–
Loss after taxation and loss attributable to the equity holders of the Company and total comprehensive income for the period		**(2,840)**	(660)
Loss per share			
Total basic and diluted (pence per share)	3	**(2.01)**	(0.71)

All of the activities of the Group are classed as continuing.

The accompanying accounting policies and notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Share based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 1 October 2011	5	–	–	(10)	(5)
Issue of share capital	129	459	–	–	588
Share issue costs	–	(41)	–	–	(41)
Transactions with owners	129	418	–	–	547
Loss for the period	–	–	–	(660)	(660)
Balance at 30 September 2012	134	418	–	(670)	(118)
Issue of share capital	14	2,860	(400)	–	2,474
Share issue costs	–	(76)	–	–	(76)
Share based payments	–	–	627	–	627
Transactions with owners	14	2,784	227	–	3,025
Loss for the period	–	–	–	(2,840)	(2,840)
Balance at 30 September 2013	148	3,202	227	(3,510)	67

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

	Notes	30 September 2013 £000	30 September 2012 £000
Assets			
Fixed assets			
Property, plant and equipment		**1**	–
Current			
Cash and cash equivalents		**556**	142
Trade and other receivables	4	**5**	107
Total current assets		**561**	249
Total assets		**562**	249
Liabilities			
Current			
Trade and other payables	5	**495**	367
Total liabilities		**495**	367
Equity			
Issued share capital	7	**148**	134
Share premium		**3,202**	418
Share based payment reserve		**227**	–
Retained earnings		**(3,510)**	(670)
Equity attributable to owners of the company		**67**	(118)
Total equity and total liabilities		**562**	249

The consolidated financial statements were approved by the Board on 31 March 2014.

A Jackson
Director

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Operating activities		
Loss after tax	**(2,840)**	(660)
Share based payments	**627**	–
Fees paid in shares	**950**	–
Decrease/(increase) in trade and other receivables	**102**	(107)
Increase in trade and other payables	**127**	362
Net cash outflow from operating activities	**(1,034)**	(405)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1)**	–
Net cash outflow from financing activities	**(1)**	–
Financing activities		
Proceeds from issue of share capital	**1,525**	588
Share issue costs	**(76)**	(41)
Amounts deposited with shareholder	**(745)**	–
Amounts returned from shareholder	**745**	–
Net cash inflow from financing activities	**1,449**	547
Net change in cash and cash equivalents	**414**	142
Cash and cash equivalents at beginning of period	**142**	–
Cash and cash equivalents at end of period	**556**	142

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

1 Revenue, Loss Before Taxation and Segmental Information

Revenue and loss before taxation

Revenue and loss before taxation are attributable to the principal activities of the Group.

The loss before taxation is stated after charging:

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Research & development costs written off	**580**	388
Wages and salaries	**184**	–
Fees payable to the Company's auditor for the audit of the Company financial statements	**26**	10
Fees payable to the Company's auditor for other services	**3**	22

Segmental information

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

The chief operating decision maker has defined that the Group's only operating segment during the period is the development of physiological technology. All of the corporate headquarter costs are allocated to this segment.

The Group has not generated any revenues from external customers during the period.

In respect of the non-current assets all (2012: all) arise in the UK.

2 Taxation

There is no tax charge for the year (year ended 30 September 2012: £nil).

Unrelieved tax losses in the UK of approximately £1,397,000 (2012: £514,000) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 30 September 2013 is £344,000 (2012: £136,000) which has not been provided on the grounds that it is uncertain when or in what tax jurisdiction taxable profits will be generated by the Group to utilise the losses of the UK subsidiary.

The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:

	Year ended 30 September 2013 £000	Year ended 30 September 2012 £000
Loss for the period before taxation	**(2,840)**	(660)
	(2,840)	(660)
Tax rate	**23.5%**	26.5%
Expected tax credit	**(667)**	(175)
Non UK losses	**459**	39
Loss not assessable for tax	**208**	136
Actual tax expense	**–**	–

3 Loss Per Share

	Year ended 30 September 2013	Year ended 30 September 2012
Loss on ordinary activities after tax (£000)	**(2,840)**	(660)
Weighted average number of shares for calculating basic loss per share	**141,040,411**	92,997,808
Basic and diluted loss per share (pence)	**(2.01)**	(0.71)

There are 4,549,998 share options as detailed in note 6. Their effect is anti-dilutive, but are potentially dilutive against future profits.

4 Trade and Other Receivables

	30 September 2013 £000	30 September 2012 £000
Other receivables	**561**	107
Total	**561**	107

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

All receivables have been reviewed for indicators of impairment based on the age of the balances outstanding and the credit worthiness of the third parties from which these balances are due. Amounts past due and not impaired are not material.

5 Trade and Other Payables

	30 September 2013 £000	30 September 2012 £000
Trade payables	**145**	215
Other payables	**14**	–
VAT payable	–	32
Accruals	**336**	120
	495	367

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.

6 Share Based Payments

The Group operates share option schemes for certain employees (including directors). Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The options are exercisable from the date on which the conditions are met until 10 years from the grant date. The expected life of the options varies from six months to three years. Options granted to employees are forfeited if the employee leaves the Group before the options vest.

6 Share Based Payments continued

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

First exercise date (when vesting conditions are met)	Grant date	Assumed vesting period	Exercise price £	Fair value £	30 September 2013 Number	30 September 2012 Number
20 March 2013	20 March 2013	6 months	0.2	0.116299	500,000	–
On launch of product if by 20 March 2014	20 March 2013	12 months	0.2	0.116299	1,100,000	–
On launch of product if by 20 March 2014	20 March 2013	12 months	0.25	0.106651	200,000	–
On launch of product if by 20 March 2014	20 March 2013	12 months	0.3	0.098623	166,666	–
Turnover exceeds £750,000 in a month and share price exceeds 40p for 5 consecutive days	20 March 2013	24 months	0.2	0.116299	1,100,000	–
Turnover exceeds £750,000 in a month and share price exceeds 40p for 5 consecutive days	20 March 2013	24 months	0.25	0.106651	200,000	–
Turnover exceeds £750,000 in a month and share price exceeds 40p for 5 consecutive days	20 March 2013	24 months	0.3	0.098623	166,666	–
Turnover exceeds £1,500,000 in a month and share price exceeds 60p for 5 consecutive days	20 March 2013	36 months	0.2	0.116299	750,000	–
Turnover exceeds £1,500,000 in a month and share price exceeds 60p for 5 consecutive days	20 March 2013	36 months	0.25	0.106651	200,000	–
Turnover exceeds £1,500,000 in a month and share price exceeds 60p for 5 consecutive days	20 March 2013	36 months	0.3	0.098623	166,666	–
					4,549,998	–

At 30 September 2013 500,000 options were exercisable.

6 Share Based Payments continued

For options granted to employees and directors, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	20 March 2013
Risk free rate	0.50%
Share price volatility	50%
Expected life	Between 6 months and 3 years
Share price at date of grant	£0.20

The Black-Scholes model used by the Group does not take into account the impact on the fair value of the market conditions. The directors do not consider that the impact of incorporating the market conditions would be material to the financial statements.

Expected volatility was determined by calculating the historical volatility of the share price of an AIM listed company in a similar business. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The following assumptions were used with regards to the vesting period:

- The options granted on 20 March 2013 at 20p with no conditions attached were assumed to vest in 6 months as the share price was expected to rise above 20p by that time.
- The options granted on 20 March 2013 exercisable once CloudTag has been successfully admitted to AIM and launched products within 12 months from Admission were assumed to vest in 12 months.
- The options granted on 20 March 2013 and exercisable when turnover has exceeded £750,000 in one month and share price has been at least 40p for 5 consecutive trading days were assumed to vest in 24 months.
- The options granted on 20 March 2013 and exercisable when turnover has exceeded £1,500,000 in any one month and share price has been at least 60p for 5 consecutive trading days were assumed to vest in 36 months.

On 25 October 2012 the Company agreed to grant 2,000,000 shares to professional advisors on Admission to AIM for services provided in respect of advice on structure and funding, assistance with the preparation of the admission document and attendance at board meetings. This has been treated as a share based payment in the financial statements. The share based payment has fully vested on Admission so the full charge has been recognised in the year and the shares were issued on Admission. The directors consider the fair value of the services provided to be £400,000 based on discussions with the service providers and consideration of fair value.

These recognised expenses are not, and never will be, a cash cost to the Group but are merely an accounting charge to the income statement reflecting the theoretical cost to the Group if options are exercised in the future where the receipts from exercise are lower than if the same number of shares had been issued at the then prevailing market value. In many cases, for the theoretical cost to be accurate, the market price of the Group's shares at exercise will need to be a multiple of the current share price.

7 Share Capital

	30 September 2013 £000	30 September 2012 £000
Allotted, issued and fully paid		
147,775,000 ordinary shares of 0.1p (30 September 2012: 133,400,000)	**148**	134

The movement in the share capital is as follows:

	Price £	Number	Nominal amount £000	Share premium £000
As at 1 October 2011	0.001	5,000,000	5	–
Share placing	0.001	79,000,000	79	–
Share placing	0.001	30,000,000	30	–
Share placing	0.02	17,900,000	18	340
Share placing	0.08	1,500,000	2	119
Placing costs	–	–	–	(41)
At 30 September 2012		**133,400,000**	**134**	**418**
Share placing	0.2	7,625,000	7	1,517
Placing costs		–	–	(76)
Share based payment	0.2	2,000,000	2	398
Fees paid in shares	0.2	4,750,000	5	945
At 30 September 2013		**147,775,000**	**148**	**3,202**

On 20 March 2013 7,625,000 shares were issued for 20p per share generating total proceeds of £1,525,000 before costs. On 20 March 2013 4,750,000 shares were issued in settlement of fees amounting to £950,000 in aggregate.

Following the share placing on 20 March 2013 which raised total proceeds of £1,525,000, proceeds due of £745,000 from a shareholder were not received until 28 June 2013. On 1 July 2013 the board agreed to deposit £745,000 of these placing proceeds with the same shareholder, such deposited funds being available for drawdown at any time at the sole discretion of the Company. The shareholder requested these funds to be deposited with him in order to provide visibility of the rate of expenditure of the Company.

The funds due from this shareholder were then drawn down as required by the company, and at the year end the balance of undrawn funds amounting to £550,000 was repaid in full to demonstrate that the funds remained at the full disposal of the Company.

The £550,000 was then redeposited back with the same investor on 2 October 2013. Since the year end, on 19 November 2013 the full remaining balance of the deposit has been repaid and the arrangement terminated. This final payment was received from a related party to the shareholder and they have confirmed that this receipt is in connection with and is in full and final settlement of the funds deposited.

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

8 Contingent Liabilities

There were no contingent liabilities at 30 September 2013 nor at 30 September 2012.

9 Capital Commitments

There were no capital commitments at 30 September 2013 nor at 30 September 2012.

10 Financial Instruments

The Group uses financial instruments comprising cash and cash equivalents, other loans and various other short-term instruments such as trade receivables and trade 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 Statement of Financial Position and the headings in which they are included are as follows:

	30 September 2013			30 September 2012		
	Loans and receivables £000	Non financial assets £000	Statement of Financial Position total £000	Loans and receivables £000	Non financial assets £000	Statement of Financial Position total £000
Cash	**556**	–	**556**	142	–	142
Prepayments	–	**3**	**3**	–	–	–
Other receivables	**2**	–	**2**	107	–	107
Total	**558**	**3**	**561**	249	–	249

Financial liabilities by category

The IAS 39 categories of financial liability included in the Statement of Financial Position and the headings in which they are included are as follows:

	30 September 2013			30 September 2012		
	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	**145**	–	**145**	215	–	215
Other payables	–	**14**	**14**	–	–	–
VAT payable	–	–	–	32	–	32
Accruals	**336**	–	**336**	120	–	120
Total	**481**	**14**	**495**	367	–	367

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.

10 Financial Instruments continued

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

Credit risk

The Group's principal financial assets are cash balances and other receivables

Cash at bank is all held with highly rated banks the suitability of which are periodically reviewed.

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. The directors also manage liquidity through agreements with some key creditors to withhold payment of liabilities while the company remains in the development phase and until such time as it undergoes further fundraising. 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.

11 Related Party Transactions

Corvus Capital Ltd, a major shareholder in CloudTag Inc. charged the Group £59,017 for the year ended 30 September 2013 in respect of consultancy fees and expenses and were issued with 3,600,000 shares at 20p each in respect of fees for assistance in developing strategy and identifying subscribers on admission (year ended 30 September 2012: £141,299). At 30 September 2013 Corvus Capital Ltd owed the group £Nil (30 September 2012: £6,951).

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 £7,000 for the year ended 30 September 2013 in secretarial fees and expenses (year ended 30 September 2012: £1,700). This amount was outstanding at the year end.

At 30 September 2013 the following amounts were outstanding in fees to directors of Cloudtag Inc. and Cloudtag Active Limited, T Reeves £7,500, M Hirschfield £4,500 and P Georgiou £3,000. (There were no directors' fees outstanding at 30 September 2012.)

At 30 September 2013 the Group owed £771 to L Musgrave, a director of Cloudtag Active Limited, in respect of expenses, (30 September 2012 £Nil.)

Key management personnel are considered to be the directors, and information is disclosed in the remuneration report on page 10 in respect of their remuneration.

12 Employee Remuneration

Employee benefits expense

Expense recognised for employee benefits, including Directors' emoluments, is analysed below:

	2013 £000	2012 £000
Wages and salaries	**172**	–
Social security	**12**	–
Benefits in kind	–	–
	184	–

Average monthly number of employees

	2013 No.	2012 No.
Directors	**4**	5
Other	**4**	–
	8	5

13 Principal Subsidiary Undertaking

Name	Principal activity	Place of incorporation
Cloudtag Active Limited	Develop, market and sell a state of the art physiological monitoring technology to the professional sports, consumer wellbeing and weight-loss markets.	UK

All of the subsidiaries were 100% owned by the Group at the year end.

14 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;
- to provide capital for the purpose of further investments.

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 strategic investment opportunities. The management regards capital as total equity and reserves, for capital management purposes.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of the members of the company will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on 23 April 2014 at 11:00 a.m. to consider and, if thought fit, to pass the following resolutions:

Ordinary Resolutions

1. To receive the annual report and financial statements for the year ended 30 September 2013.

2. To re-elect Mike Hirschfield as a director who is retiring by rotation in accordance with the articles of association of the company and who being eligible offers himself for re-election.

3. To re-elect Tony Reeves as a director who is retiring having been appointed since the last general meeting of the Company and who being eligible offers himself for re-election.

4. To re-elect Gabe Bodhi as a director who is retiring having been appointed since the last general meeting of the Company and who being eligible offers himself for re-election.

5. To authorise the Board of directors to appoint Grant Thornton UK LLP as auditor to the company and to authorise the directors to determine their remuneration.

6. That the directors are authorised to disapply the pre-emption rights set out in article 17 of the company's articles of association, such power to expire at the conclusion of the next annual general meeting of the company, except that the directors may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:

    a. the allotment of equity securities for cash ("Subscription") to provide additional working up to an aggregate nominal value of £10,000 being 5.08% of the Company's issued share capital at the date of this notice;

    b. the allotment of equity securities pursuant to the exercise of warrants to be granted by the company in connection with the proposed Subscription up to an aggregate nominal amount of £10,000.00 being 5.08% of the Company's issued share capital at the date of this notice

    c. the allotment of equity securities pursuant to the exercise of share options granted by the company from time to time up to an aggregate nominal amount representing 10% of the company's issued share capital at the date of grant; and

    d. the allotment of equity securities, otherwise than in accordance with paragraphs 6(a), 6(b) and 6(c), up to an aggregate nominal amount of £14,777.50 being 10% of the company's issued share capital at the date of this notice.

By order of the Board

Kitwell Consultants Limited
Secretary

Registered office:
122 Mary Street
PO Box 709
KY1-1107
Grand Cayman
Cayman Islands

31 March 2014

Notes

1. All shareholders who wish to attend and vote at the meeting must be entered on the company's register of members no later than 6:00 p.m. on 17 April 2014 or 48 hours before the time of any adjourned meeting. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

2. A member entitled to attend and vote at the above meeting has the right to appoint a proxy to attend and vote in his place. A proxy need not be a member of the company. In the case of joint shareholders, the person whose name appears first in the register of members has the right to attend and vote at general meetings to the exclusion of all others. Investors who hold their shares through a nominee may wish to attend the meeting as a proxy, or to arrange for someone else to do so for them, in which case they should discuss this with their nominee or stockbroker. Whilst proxies may vote on a poll on any resolution, they are not entitled to vote on a show of hands. Proxies may ask questions at the meeting if, in his discretion, the chairman of the meeting allows it. Members are invited to complete and return the enclosed proxy form if they are unable to attend the meeting. The return of the proxy form will not prevent a member from attending in person and voting at the meeting.

3. To be effective, a completed and signed proxy (and any power of attorney or other authority under which it is signed) must be delivered to Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol BS99 6ZY by no later than 11:00 a.m. on 17 April 2014 or 48 hours before the time fixed for any adjourned meeting. You may also deliver by hand to Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol BS99 6ZY during normal business hours. Completion of a form of proxy will not prevent a member from attending and voting in person.

4. In the case of joint holders of shares in the company, the vote of the senior holder shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority will be determined by the order in which the names appear in the company's register of shareholders (or the company's registrars' records).

5. In the case of holders of depositary interests representing ordinary shares in the company, a form of direction must be completed in order to appoint Computershare Investor Services plc, the Depositary, to vote on the holder's behalf at the meeting or, if the meeting is adjourned, at the adjourned meeting. To be effective, a completed and signed form of direction (and any power of attorney or other authority under which it is signed) must be delivered to the company's Transfer Agent, Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol BS99 6ZY by no later than 11:00 a.m. on 17 April 2014 or 72 hours before the time fixed for any adjourned meeting.

6. The completion and return of the form of direction will not preclude a holder from attending the meeting and voting in person. Should the holder, or a representative of that holder wish to attend the meeting and/or vote at the meeting, they must notify the Depositary in writing or email !UKALLDITeam@computershare.co.uk

7. Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Depositary Interest Register at close of business on 17 April 2014. Changes to the entries on the Depositary Interest Register after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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