

28 June 2013

**CloudTag Inc.**

("CloudTag" or the "Company")

**Half Year Results**

**for the six month period ended 31 March 2013**

CloudTag (AIM: CTAG.L), the developer of an innovative physiological monitoring technology focused on the sports, fitness and weight-loss markets, is delighted to announce its maiden interim results for the six months ended 31 March 2013.

**Summary**

- CloudTag floated on AIM in March 2013 raising £1.11m (net of expenses) via a subscription for its ordinary shares.
- Company on schedule with its product development to launch two products in next 12 months, focusing on two markets: fitness and weight-loss.
- Commercial discussions with a number of retailers, gym chains and insurance companies are progressing as planned.

Commenting, Andy Jackson, CloudTag Inc, said:

"CloudTag has made considerable progress with its strategy to launch its innovative CloudTag solution for the fitness and wellbeing markets. We are working with a number of parties on the first of our product range due for first trials later this year and launch to market in the UK in 2014.

"We are encouraged by the work of our development team for the first of a suite of new products and our commercial discussions across a number of markets are progressing well and in line with our expectations at this early stage."

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**About CloudTag**

CloudTag's strategy is to develop, market and sell a physiological monitoring technology to the professional sports, consumer wellbeing and weight-loss market. 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-based infrastructure.

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.

The CloudTag product includes the CloudTag software application, which has been developed by

Preciousbluedot Limited ("Preciousbluedot") and can be downloaded onto a smartphone or tablet. The Preciousbluedot team were formerly part of the design team at Rare Limited ("Rare"), which achieved critical acclaim for games releases including Donkey Kong Country, GoldenEye 007 and Perfect Dark. Rare was acquired by Microsoft Corporation for \$375 million in 2002 and the original Rare team went on to develop the Microsoft Xbox Kinect software technology and Microsoft Xbox avatar interfaces.

Users of the Product will be able to download training programmes designed by leading UK fitness professional Matt Roberts directly to their smartphone or tablet.

## **Half Year Statement**

### **Results**

In the short period since joining AIM the Company has maintained a tight control of costs.

These results represent the costs of developing the Company's first products and the infrastructure for the continued development, marketing and sales. Development costs have been expensed in the income statement as the criteria to capitalise these as set out in the accounting policies has not yet been met. Total comprehensive loss for the half year amounted to £1,997,000 for the six months to 31 March 2013 (six months to 31 March 2012: loss £251,000) giving a loss per share of 1.49p (six months to 31 March 2012: 0.46p). This is in line with our expectations.

At 31 March 2013 the Company had a total of 147,775,000 ordinary shares of 0.1p each in issue.

### **Operational Update**

During the first half the Company made very solid progress with the development of the CloudTag solution, combining leading-edge hardware, software and expertise which bring together an innovative new solution to how we monitor our whole health and wellbeing. The unique CloudTag product will be able to provide a full picture of an individual's health and/or performance in real time, whether they are working through a training programme in the gym, on a road run, taking part in a weight loss programme or simply worried about their current activity levels.

Our development team is working with a number of parties on cutting edge hardware, to complement the unique CloudTag user interface and is on schedule to launch the first of its products in the next twelve months, focusing on two initial markets: that of fitness and weight-loss. It is anticipated that the first product will enter field testing during the second half of 2013 with the market launch scheduled for the first half of calendar 2014.

Work has now been completed on the interface programming for both Apple iOS and Android devices. The development team is currently working on final themes for the launch of the user interface and cloud platform.

During the period the commercial team progressed discussions with a number of retailers, gym chains and insurance companies about the device, including bespoke products to meet their markets, and the Company looks forward to making further progress during the second half of this year across each of these markets respectively.

### **Outlook**

CloudTag has made considerable progress with its strategy to launch its innovative CloudTag solution for the fitness and wellbeing markets. We are working with a number of parties on the first of our product range due for first trials later this year and launch to market in the UK in 2014.

We are encouraged by the work of our development team for the first of a suite of new products and our commercial discussions across a number of markets are progressing well and in line with our expectations at this early stage.

The accounts are in the process of being added to the Company's website, <http://cloudtag.com>, in accordance with AIM Rule 20

Tony Reeves  
Chairman  
28 June 2013

**CLOUDTAG INC.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 MARCH 2013**

	<b>Unaudited</b>	Unaudited	Audited
	<b>Period ended</b>	Period ended	Year ended 30
<i>Note</i>	<b>31 March</b>	31 March	September
	<b>2013</b>	2012	2012
	<b>£'000</b>	£'000	£'000
Admission costs	<b>(1,451)</b>	-	-
Other administrative expenses	<b>(546)</b>	(251)	(660)
Total administrative expenses	<b>(1,997)</b>	(251)	(660)
<b>Loss from operations and loss before taxation</b>	<b>(1,997)</b>	(251)	(660)
Taxation	-	-	-
<b>Loss after taxation, total comprehensive loss for the period and loss attributable to the equity holders of the Company</b>	<b>(1,997)</b>	<b>(251)</b>	<b>(660)</b>
<b>Loss per share</b>			
Total basic and diluted (pence per share)	<b>(1.49)</b>	(0.46)	(0.71)

2

**CLOUDTAG INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 31 MARCH 2013**

	Share capital	Share premium	Share based payments reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
<b>Unaudited Balance at 30 September 2011</b>	5	-	-	(10)	(5)
Issue of share capital	109	-	-	-	109
<b>Transactions with owners</b>	109	-	-	-	109
Loss for the period	-	-	-	(251)	(251)
<b>Unaudited Balance at 31 March 2012</b>	114	-	-	(261)	(147)
Issue of share capital	20	459	-	-	479
Share issue costs	-	(41)	-	-	(41)
<b>Transactions with owners</b>	20	418	-	-	438
Loss for the period	-	-	-	(409)	(409)
<b>Audited Balance at 30 September 2012</b>	134	418	-	(670)	(118)
Issue of share capital	8	1,517	-	-	1,525
Share issue costs	-	(76)	-	-	(76)
Fee shares issued	6	1,343	-	-	1,349
Share based payments	-	-	34	-	34
<b>Transactions with owners</b>	14	2,784	34	-	2,832
Loss for the period	-	-	-	(1,997)	(1,997)
<b>Unaudited Balance at 31 March 2013</b>	148	3,202	34	(2,667)	717

**CLOUDTAG INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2013**

		<b>Unaudited</b>	Unaudited	Audited
		<b>31 March 2013</b>	31 March 2012	30 September 2012
<b>Assets</b>	<b>Notes</b>	<b>£'000</b>	£'000	£'000
<b>Current</b>				
Cash and cash equivalents		<b>307</b>	72	142
Trade and other receivables	3	<b>849</b>	46	107
<b>Total current assets</b>		<b>1,156</b>	118	249
<b>Total assets</b>		<b>1,156</b>	118	249
<b>Liabilities</b>				
<b>Current</b>				
Trade and other payables	4	<b>439</b>	265	367
<b>Total liabilities</b>		<b>439</b>	265	367
<b>Equity</b>				
Issued share capital	5	<b>148</b>	114	134
Share premium		<b>3,202</b>	-	418
Share based payments reserve	6	<b>34</b>	-	-
Retained earnings		<b>(2,667)</b>	(261)	(670)
<b>Equity attributable to owners of the company</b>		<b>717</b>	(147)	(118)
<b>Total equity and liabilities</b>		<b>1,156</b>	118	249

**CLOUDTAG INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 MARCH 2013**

	<b>31 March 2013</b>	31 March 2012	30 September 2012
	<b>£'000</b>	£'000	£'000
<b>Operating activities</b>			
Loss after tax	(1,997)	(251)	(660)
Share based payments	34	-	-
Fees paid in shares	1,349	-	-
Decrease/(increase) in trade and other receivables	43	(46)	(7)
Increase in trade and other payables	72	260	362
<b>Net cash (outflow) from operating activities</b>	<u>(499)</u>	<u>(37)</u>	<u>(305)</u>
<b>Financing activities</b>			
Proceeds from issue of share capital	740	109	488
Share issue costs	(76)	-	(41)
<b>Net cash inflow from financing activities</b>	<u>664</u>	<u>109</u>	<u>447</u>
<b>Net change in cash and cash equivalents</b>	165	72	142
<b>Cash and cash equivalents at beginning of period</b>	<u>142</u>	<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at end of period</b>	<u>307</u>	<u>72</u>	<u>142</u>

**NOTES TO THE INTERIM REPORT**

**FOR THE PERIOD ENDED 31 MARCH 2013**

**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 6 month period to 31 March 2012, the year ended 30 September 2012 and the 6 month period to 31 March 2013.

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) Basis of preparation**

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial information set out in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's financial statements for the year ended 30 September 2012 were included within part 3 of the Admission document sent to shareholders on 14 March 2013.

**(b) 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.

**(c) Going concern**

The directors have prepared cashflow projections through to 30 June 2014, which assume that no sales will be made and rely on available cash only. The projections only take account of the on-going management costs of the Group, and the costs of developing a prototype product such that it is capable of being launched on a commercial basis.

On this basis the interim statement has been prepared on a going concern basis. The interim statement does not include any adjustments that would result if the assumptions detailed above are not met.

**(d) 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.

#### **(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 re-measurement of monetary items at year-end exchange rates are recognised in profit or loss.

**(l) Segmental reporting**

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 assessment of performance and about which discrete financial information is available.

The chief operating decision maker has defined that the Group's only reportable operating segment during the year is physiological monitoring technology and related activities.

The Group has not traded and has not generated any revenue from external customers during the period. The company has no non-current assets.

## 2. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. The impact of the options and warrants on the loss per share is anti-dilutive.

	<b>Unaudited Period ended 31 March 2013 £'000</b>	Unaudited Period ended 31 March 2012 £'000	Audited Year ended 30 September 2012 £'000
Loss on ordinary activities after tax (£000)	<u>(1,997)</u>	<u>(251)</u>	<u>(660)</u>
Weighted average number of shares for calculating basic loss per share	<u>134,268,819</u>	<u>54,765,027</u>	<u>92,757,377</u>
<b>Basic and diluted loss per share (pence)</b>	<u><b>(1.49)</b></u>	<u><b>(0.46)</b></u>	<u><b>(0.71)</b></u>

## 3. TRADE AND OTHER RECEIVABLES

	<b>Unaudited 31 March 2013 £'000</b>	Unaudited 31 March 2012 £'000	Audited 30 September 2012 £'000
VAT recoverable	60	46	-
Prepayments	4	-	-
Unpaid share capital	785	-	100
Other receivables	-	-	7
Total	<u>849</u>	<u>46</u>	<u>107</u>

Trade and other receivables are usually due within 30 - 60 days and do not bear any effective interest rate. The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. The unpaid share capital outstanding at 31 March 2013 has been received in full.

#### 4. TRADE AND OTHER PAYABLES

	<b>Unaudited</b>	Unaudited	Audited
	<b>31 March 2013</b>	31 March 2012	30 September 2012
	<b>£'000</b>	£'000	£'000
Trade payables	362	69	215
Other payables	11	196	-
VAT payable	-	-	32
Accruals	66	-	120
	<b>439</b>	<b>265</b>	<b>367</b>

#### 5. SHARE CAPITAL

	<b>Unaudited</b>	Unaudited	Audited
	<b>31 March 2013</b>	31 March 2012	30 September 2012
	<b>£000</b>	£000	£000
Allotted, issued and fully paid 147,775,000 ordinary shares of 0.01p (31 March 2012: 114,000,000, 30 September 2012: 133,400,000)	<b>148</b>	<b>114</b>	<b>134</b>

The movement in share capital is set out below.

	<b>Ordinary shares</b>	
	<b>No.</b>	<b>£'000</b>
<b>Allotted and issued</b>		
<b>At 31 March 2012</b>	114,000,000	114
Issue of shares for cash	19,400,000	20
<b>At 30 September 2012</b>	133,400,000	134
Issue of shares for cash	7,625,000	8
Shares issued for fees due	6,750,000	6
<b>At 31 March 2013</b>	<b>147,775,000</b>	<b>148</b>

## 6. SHARE OPTIONS

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 the conditions are met until 10 years from the grant date. The expected life of the options varies from six months to three years.

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

	<b>Unaudited 31 March 2013</b>		Unaudited 31 March 2012		Audited 30 September 2012	
	<b>Number</b>	<b>WAEP £</b>	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the period	-	-	-	-	-	-
Issued on 20 March 2013	<b>4,549,998</b>	<b>0.2176</b>	-	-	-	-
Outstanding at the end of the period	<b>4,549,998</b>	<b>0.2176</b>	-	-	-	-

The options have the following exercise prices and fair values at the date of grant:

First exercise date (when vesting conditions are met)	Grant date	Exercise price	Fair value	31 March 2013	31 March 2012	30 September 2012
		£	£	Number	Number	Number
On launch of product if by 20 March 2014	20 March 2013	0.2	0.1163	1,100,000	-	-
On launch of product if by 20 March 2014	20 March 2013	0.25	0.10665	200,000	-	-
On launch of product if by 20 March 2014	20 March 2013	0.3	0.09862	166,666	-	-
20 March 2013	20 March 2013	0.2	0.1163	500,000	-	-
Turnover exceeds £750,000 in a month and share price exceeds 40p for 5 consecutive days	20 March 2013	0.2	0.1163	1,100,000	-	-
Turnover exceeds £750,000 in a month and share price exceeds 40p for 5 consecutive days	20 March 2013	0.25	0.10665	200,000	-	-
Turnover exceeds £750,000 in a month and share price exceeds 40p for 5 consecutive days	20 March 2013	0.3	0.09862	166,666	-	-
Turnover exceeds £1,500,000 in a month and share price exceeds 60p for 5 consecutive days	20 March 2013	0.2	0.1163	750,000	-	-
Turnover exceeds £1,500,000 in a month and share price exceeds 60p for 5 consecutive days	20 March 2013	0.25	0.10665	200,000	-	-
Turnover exceeds £1,500,000 in a month and share price exceeds 60p for 5 consecutive days	20 March 2013	0.3	0.09862	166,666	-	-
				4,549,998	-	-

The share options can be exercised from the date when the conditions are met until ten years from the grant date.

At 31 March 2013 500,000 options were exercisable.

For those options granted to employees and directors where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	<b>20 March 2013</b>
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

Expected volatility was determined by calculating the historical volatility of the share price of a similar AIM listed company. 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:

The options granted on 20 March 2013, exercisable on launch of the product provided that this is within 12 months of admission, were assumed to vest in 12 months.

The options granted on 20 March 2013, exercisable immediately, 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 when turnover exceeds £750,000 in a month and the share price exceeds 40p for five consecutive days, were assumed to vest in 24 months.

The options granted on 20 March 2013, exercisable when turnover exceeds £1,500,000 in a month and the share price exceeds 60p for five consecutive days, were assumed to vest in 36 months.

The Group recognised a charge of £34,000 (period ending 31 March 2012 and year ended 30 December 2012: £Nil) relating to these equity-settled share-based payment transactions during the period.

**7. CONTINGENT LIABILITIES**

At 31 March 2013 there are no contingent liabilities.