

28 June 2016

**CloudTag Inc.**  
("CloudTag" or the "Company")

**Half Year Results**  
**for the six month period ended 31 March 2016**

CloudTag (CTAG:LN), the company that brings personal monitoring to the health, wellbeing and fitness markets is pleased to announce its interim results for the six months ended 31 March 2016.

**Highlights (Taken from post-period end at Finals)**

- Launched first product set on schedule, CloudTag Track™ and the beatSMART™ Clip, at the Consumer Electronics show, Las Vegas, USA in January 2016
- Signed significant distribution agreement with Second Chance Limited worth a value of \$5.2 million
- Appointed Dr Gerald Bereika as Non-Executive Director, bringing experience and expertise in healthcare services and the psychology of behavioural change to the Board
- Appointed Jessie Pavelka, a well-known global fitness and weight loss expert as Global Brand Ambassador and is regarded as one of the top 5 social media influencers
- Exclusive strategic commercial license agreement with Imec International, who are shareholders in the Company and who, in partnership with the Company, have developed the unique cutting edge energy expenditure algorithms for the wearable technology
- Strengthened relationship through the issue of warrants in respect of historic fees with Preciousbluedot Limited, shareholders of the Company, and the software partner who have developed the mobile application
- Successful fundraisings of £1,095,400 in equity and £1.25 million debt facility
- Successful testing with the Human Performance Unit at the Centre for Sports and Exercise Science, University of Essex proving the accuracy of the product with comparative testing to the industry gold standard medical equipment, ECG tracking with 98-99% accuracy and energy expenditure (kcal) tracking between 91-99% accuracy

**Post Period End**

- Staged fundraisings totalling £751,430, each at a premium to the prevailing market price to minimise dilution and maximise value for shareholders
- Reduction in Company's indebtedness through the conversions of loans at preferential rates for the Company and conversion of certain creditors
- Investment in areas of strategic focus whilst reducing costs in non-core areas. Maintained R&D spend while increasing capex expenditure for manufacturing and one-off tooling costs, sales, marketing and business development

- Total costs for the period increased in line with the Company's strategy to accelerate the growth of the business

Tony Reeves, Chairman of CloudTag, said "I am delighted by the progress our CEO Amit Ben-Haim has achieved in such a short period of time. The Company has exceeded the targets set out in the strategy devised by Amit and is now able to accelerate growth as we come to launch the product and focus on driving sales and distribution globally. This is demonstrated both by the progress of the commercial discussions with retailers and e-tailers throughout Europe and the UK and by the more recent developments in the US. This growth shall be further supported with the expansion plans for the executive management team as new business development and sales directors are set to join as well as additional members for our R&D team. I am also pleased with the fund raising activities conducted by the Company to deliver in excess of £1.6 million since September 2015. We have endeavoured to raise capital in line with these accelerated plans while still protecting shareholder value through premium placings at regular intervals.

**CloudTag Inc.**  
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## **Chairman's Statement**

### **Overview**

It has been another period of successful growth for the Company since our annual report released on the 23 March 2016 which has been driven by the Company's CEO Amit Ben-Haim. The Company is meeting its target schedules for the B2C market and in building B2B relationships in the health insurance, corporate wellness and mobile telecoms industries. Additionally, the Company has decided to accelerate this growth and has raised additional funds at strategic intervals, in order to maximise shareholder value and minimise dilution, to fund this acceleration. These funds are being used to expand its executive team with top level business development and sales executives while also further building out the R&D, logistics, and sales teams.

As such we are in the process of recruiting three senior executives to drive sales to consumer markets in the UK and Europe and facilitate the delivery of the Company's first product - the CloudTag Track™. These executives have direct and current experience in the wearable technology and consumer electronics industries and proven track records. Specifically, these roles include both a UK & Ireland Sales Director and a European Sales Director who will be tasked with delivering products to market and subsequently driving sales. The Company is also recruiting a Business Development Director who will be tasked with driving and delivering the B2C and B2B strategy as outlined by Amit in the Company's Final Results statement dated 23 March 2016.

We have continued to focus on R&D efforts to create new and unique technologies to maintain CloudTag's differentiation in this fast moving marketplace. In order to facilitate these efforts, the Company is in the

process of strengthening its team by hiring specialists in embedded systems electronics, mechanical engineering, and product and industrial design. The Company is also seeking to recruit user experience market specialists, mathematicians and "big data" scientists as well as additional manufacturing engineers and quality assurance specialists who will work closely with the international quality assurance agency which we are currently in the process of engaging.

Following the completion of the sample and app demonstration, the Company is now discussing initial product requirements with a number of leading high street and online retailers and e-tailers in the UK and Germany. Furthermore, the Company is working with Amazon Marketing Services to execute the sales and marketing strategy to support the successful release of the product.

We continue to assess the distribution partners in the USA and North America and I am encouraged by the news from Amit since his latest visit to the US, and in the lead up to full commercial release of the product in the UK and Europe. The Company is in the process of moving manufacturing from its current low volume production partner in Taiwan, which was suitable for production of rapid, low-cost test batches; to new production partners, also based in the Far East, with mass production capabilities and which hold the following ISOs: 13485, 14000 and 9000.

As the Company continues to mature we will consider strategic opportunities which could enable us to accelerate our strategy. We will maintain strict financial discipline when assessing any potential opportunities.

## **Outlook**

We continue to explore commercial opportunities and distribution agreements for our world-class product and in order to help us achieve those aims, we aim to further improve our in-house capabilities by looking to appoint the best people in our industry with current experience in business development, sales, product design, software and engineering roles.

In advance of the referendum' results on Friday 24 June 2016 the Company had planned and prepared various operational options which will allow the Company to continue and develop and operate in the EU post withdrawal with as little commercial and human resources hindrances as possible.

We are determined to build on our momentum and drive our company forward. We look to the future with renewed confidence.

**Tony Reeves**

**Chairman**

**28 June 2015**



**CLOUDTAG INC.****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2016**

	<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>2016</b>	2015	2015
	<b>£'000</b>	£'000	£'000
Options and warrants issued in payment of remuneration and services	<b>(29)</b>	(25)	(430)
Research and development costs	<b>(526)</b>	(73)	(698)
Other administrative expenses	<b>(1,573)</b>	(396)	(846)
Total administrative expenses	<b>(2,128)</b>	(494)	(1,974)
<b>Loss from operations</b>	<b>(2,128)</b>	(494)	(1,974)
Finance cost	<b>(73)</b>	-	(15)
<b>Loss from operations and loss before taxation</b>	<b>(2,201)</b>	(494)	(1,989)
Taxation	<b>12</b>	-	125
<b>Loss after taxation, total comprehensive loss for the period and loss attributable to the equity holders of the Company</b>	<b>(2,189)</b>	(494)	(1,864)
<b>Loss per share</b>			
Total basic and diluted (pence per share)	<b>(1.00)</b>	(0.31)	(1.06)

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**CLOUDTAG INC.****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2016**

	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Convertible loan notes £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Audited Balance at 30 September 2014</b>	154	3,719	-	(4,487)	(614)
Issue of convertible loan notes	-	-	900	-	900
Issue of share capital	12	418	-	-	430
Share issue costs	-	(268)	-	-	(268)
<b>Transactions with owners</b>	<b>12</b>	<b>150</b>	<b>900</b>	<b>-</b>	<b>1,062</b>
Share based payments	-	-	-	25	25
Loss for the period	-	-	-	(494)	(494)
<b>Unaudited Balance at 31 March 2015</b>	<b>166</b>	<b>3,869</b>	<b>900</b>	<b>(4,956)</b>	<b>(21)</b>
Issue of convertible loan notes	-	-	150	-	150
Conversion of convertible loan notes	34	816	(850)	-	-
Issue of share capital	5	136	-	-	141
<b>Transactions with owners</b>	<b>39</b>	<b>952</b>	<b>(700)</b>	<b>-</b>	<b>291</b>
Options and warrants issued in payment of remuneration and services	-	-	-	405	405
Suppliers paid in warrants	-	-	-	34	34
Loss for the period	-	-	-	(1,370)	(1,370)
<b>Audited Balance at 30 September 2015</b>	<b>205</b>	<b>4,821</b>	<b>200</b>	<b>(5,887)</b>	<b>(661)</b>
Issue of convertible loan notes	-	-	151	-	151
Issue of share capital	59	1,330	-	-	1,389
Share issue costs	-	(6)	-	-	(6)
<b>Transactions with owners</b>	<b>59</b>	<b>1,324</b>	<b>151</b>	<b>-</b>	<b>1,534</b>
Options and warrants issued in payment of remuneration and services	-	-	-	29	29
Loss for the period	-	-	-	(2,189)	(2,189)
Unaudited Balance at 31 March 2016	264	6,145	351	(8,047)	(1,287)

**CLOUDTAG INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

		<b>Unaudited</b>	Unaudited	Audited
		<b>31 March 2016</b>	31 March 2015	30 September 2015
<b>Assets</b>	<b>Notes</b>	<b>£'000</b>	£'000	£'000
<b>Fixed assets</b>				
Property, plant and equipment		6	1	1
<b>Current</b>				
Cash and cash equivalents		14	139	16
Trade and other receivables	5	181	155	143
<b>Total current assets</b>		<u>195</u>	<u>294</u>	<u>159</u>
<b>Total assets</b>		<u><u>201</u></u>	<u><u>295</u></u>	<u><u>160</u></u>
<b>Liabilities</b>				
<b>Current</b>				
Trade and other payables	6	832	316	521
Loans repayable within one year		67	-	300
<b>Total current liabilities</b>		<u>899</u>	<u>316</u>	<u>821</u>
<b>Loan repayable after one year</b>		589	-	-
<b>Total liabilities</b>		<u>1,488</u>	<u>316</u>	<u>821</u>
<b>Equity</b>				
Issued share capital	7	264	166	205
Share premium		6,145	3,869	4,821
Convertible loan notes	8	351	900	200
Retained earnings		(8,047)	(4,956)	(5,887)
<b>Equity attributable to owners of the company</b>		<u>(1,287)</u>	<u>(21)</u>	<u>(661)</u>
<b>Total equity and liabilities</b>		<u><u>201</u></u>	<u><u>295</u></u>	<u><u>160</u></u>

**CLOUDTAG INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 MARCH 2015**

	<b>Unaudited Period ended 31 March 2016</b>	<b>Unaudited Period ended 31 March 2015</b>	<b>Audited Year ended 30 September 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Operating activities</b>			
Loss after tax	(2,189)	(494)	(1,864)
Share based payments	29	25	430
Depreciation	1	1	1
Finance cost	73	-	15
Income tax credit to profit or loss	(12)	-	(125)
Fees paid in shares	293	162	207
Decrease/(increase) in trade and other receivables	(26)	109	(9)
Increase in trade and other payables	311	(589)	(187)
<b>Net cash (outflow) from operating activities</b>	<b>(1,520)</b>	<b>(786)</b>	<b>(1,532)</b>
Income tax credits			255
<b>Net cash (outflow) from operating activities after tax</b>	<b>(1,520)</b>	<b>(786)</b>	<b>(1,277)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(5)	-	-
<b>Net cash outflow from financing activities</b>	<b>(5)</b>	<b>-</b>	<b>-</b>
<b>Financing activities</b>			
Proceeds from issue of share capital	1,095	-	-
Share issue costs	(6)	-	-
Equity shares and convertible loans issued	151	900	983
Other loans advanced	356		300
Finance cost	(73)	-	(15)
<b>Net cash inflow from financing activities</b>	<b>1,523</b>	<b>900</b>	<b>1,268</b>
<b>Net change in cash and cash equivalents</b>	<b>(2)</b>	<b>114</b>	<b>(9)</b>



<b>Cash and cash equivalents at beginning of period</b>	16	25	25
<b>Cash and cash equivalents at end of period</b>	14	139	16

## **CLOUDTAG INC.**

### **NOTES TO THE INTERIM REPORT**

#### **FOR THE PERIOD ENDED 31 MARCH 2016**

##### **1. GENERAL INFORMATION**

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 figures for the year ended 30 September 2015 have been extracted from the 2015 statutory financial statements. The auditors' report on those accounts was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

##### **2. ACCOUNTING POLICIES**

The Company's shares are quoted on the AIM market of the London Stock Exchange and the Company applies the Companies Act 2006 when preparing its annual financial statements.

The annual financial statements will be prepared under International Financial Reporting Standards as adopted by the European Union (IFRS) and the principal accounting policies adopted remain unchanged from those adopted in preparing its financial statements for the year ended 30 September 2015.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

##### **3. 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 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 arise in the UK at 31 March 2016, 31 March 2015 and 30 September 2015.

#### 4. 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 2016 £'000</b>	Unaudited Period ended 31 March 2015 £'000	Audited Year ended 30 September 2015 £'000
Loss on ordinary activities after tax (£000)	<u>(2,189)</u>	<u>(494)</u>	<u>(1,864)</u>
Weighted average number of shares for calculating basic loss per share	<u>218,547,794</u>	<u>160,857,483</u>	<u>176,281,283</u>
<b>Basic and diluted loss per share (pence)</b>	<u><b>(1.00)</b></u>	<u><b>(0.31)</b></u>	<u>(1.06)</u>

#### 5. TRADE AND OTHER RECEIVABLES

	<b>Unaudited 31 March 2016 £'000</b>	Unaudited 31 March 2015 £'000	Audited 30 September 2015 £'000
Income tax repayment	<b>137</b>	<b>128</b>	125
Prepayments	<b>7</b>	<b>8</b>	9
Other receivables	<b>37</b>	<b>19</b>	9
Total	<u><b>181</b></u>	<u><b>155</b></u>	<u>143</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.

#### 6. TRADE AND OTHER PAYABLES

	<b>Unaudited 31 March 2016 £'000</b>	Unaudited 31 March 2015 £'000	Audited 30 September 2015 £'000
Trade payables	<b>507</b>	271	348
Other payables	<b>38</b>	-	1

Tax and social security	65	8	15
Accruals	<u>222</u>	<u>37</u>	<u>157</u>
	<u>832</u>	<u>316</u>	<u>521</u>

## 7. SHARE CAPITAL

The movement in share capital is set out below.

	Unaudited 31 March 2016 £000	Unaudited 31 March 2015 £000	Audited 30 September 2015 £000
Allotted, issued and fully paid 264,266,964 ordinary shares of 0.01p (31 March 2015 165,900,836 and 30 September 2015: 205,002,214)	<u>264</u>	<u>166</u>	<u>205</u>

## 8. CONVERTIBLE LOAN NOTES

On 4<sup>th</sup> December 2014 the Company announced that subject to shareholder approval it would be issuing Loan Notes with the following terms, and after shareholder approval £900,000 of Loan Notes were duly issued.

The Loan Notes will become convertible at 100% of their principal amount plus accrued interest into new ordinary shares of 0.1 pence each in the capital of the Company ("Ordinary Shares") either:

(i) at the holder's option at a conversion price which is fixed at 3.75 pence of indebtedness per one Ordinary Share or (ii) at the Company's option at a conversion price which is fixed at 3.75 pence of indebtedness per 1.5 Ordinary Shares (equivalent to 2.5 pence of indebtedness per one Ordinary Share).

The Loan Notes carry nil interest for the first six months following issue and thereafter carry interest at a rate of 8% per annum beginning on the business day after the six-month anniversary of issue. The Loan Notes are unsecured, are not listed and are transferable.

Unless previously redeemed, converted or cancelled, the Loan Notes will be redeemable at any time at the Company's option at 100% of their principal amount plus accrued interest. Unless previously redeemed, converted or cancelled (including if Resolution 1 is not passed), the Loan Notes will mature and become repayable at 100% of their principal amount plus accrued interest on 3 December 2015.

As the Company has the option of converting the Loan Notes into a fixed number of shares, until such time as they become interest bearing, the Loan Notes have therefore been treated as equity in the Statement of Financial Position at 31 March 2015.

On 29 May 2015 the Company announced that it has converted £850,000 (of the £900,000) unsecured convertible loan notes into 34,000,000 new ordinary shares.

On 27 August 2015, the Company issued a further £150,000 of unsecured loan notes and a further £50,000 were issued on 3 December 2015. Both of these issues were convertible into new ordinary shares at i) at the holder's option at a conversion price which is fixed at 2.5 pence of indebtedness per one Ordinary Share, or (ii) at the Company's option at a conversion price which is fixed at 2.5 pence of indebtedness per 1.5 Ordinary Shares (equivalent to 1.667 pence of indebtedness per one Ordinary Share).

On 3 May 2016, the Company announced it had converted £200,000 of the £250,000 outstanding unsecured loan notes plus £3,666 of accrued interest into 12,220,000 new ordinary shares.

As the loan notes are convertible for a fixed number of shares at the option of the Company, they are considered to be equity instruments and have therefore been treated as equity in the financial statements.

In addition on 2 November 2015, the Company entered into a loan agreement under which it is due to pay fees of £100,000 to a third party at 2.375 pence per share. These shares have not yet been issued, but the liability has been treated as equity in the financial statements

On 15 January 2016, the Company announced that it had signed a £1.25m unsecured draw down facility with some parts being convertible loan facility with Hector Limited ("Lender"), a private equity company specialising in hi-tech SME's (the "Facility"). Funds drawn down from the Facility will be used for purchase order funding with manufacturers and B2B partnerships in 2016 and for general working capital purposes. £436,890 had been advanced by the Lender under this facility at 31 March 2016.

The Lender may elect at its discretion to convert any tranche of drawn funds into new ordinary shares in the Company at a price of 2.25 pence per share, conditional on the Company having sufficient authority from shareholders to issue such number of new ordinary shares.

## 9. 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:

	Unaudited 31 March 2016		Unaudited 31 March 2015		Audited 30 September 2015	
	Number	WAEP £	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the period	5,700,000	0.0967	4,549,998	0.2176	4,549,998	0.2176
Forfeited or surrendered	-	-	(4,049,998)	0.2198	(6,549,998)	0.1779
Issued on 8 January 2015	-	-	7,700,000	0.0632	7,700,000	0.0632

Outstanding at the end of the period	<b>5,700,000</b>	<b>0.0967</b>	8,200,000	0.0967	5,700,000	0.0967
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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	<b>31 March 2016</b>	31 March 2015	30 September 2015
		£	£	<b>Number</b>	Number	Number
20 March 2013	20 March 2013	0.2	0.1163	<b>500,000</b>	500,000	500,000
8 January 2015	8 January 2015	0.06	1.9042	<b>1,925,000</b>	1,925,000	1,925,000
8 January 2015	8 January 2015	0.08	1.6343	<b>1,925,000</b>	1,925,000	1,925,000
8 January 2015	8 January 2015	0.1	1.4298	<b>675,000</b>	1,925,000	675,000
8 January 2015	8 January 2015	0.12	1.2686	<b>675,000</b>	1,925,000	675,000
				<b>5,700,000</b>	8,200,000	5,700,000

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

At 31 March 2016, 5,700,000 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>8 January 2015</b>	<b>20 March 2013</b>
Risk free rate	1.50%	0.50%
Share price volatility	46.30%	50%
Expected life	Between 1 and 4 years	Between 6 months and 3 years
Share price at date of grant	£0.04	£0.20

Expected volatility was determined by calculating the historical volatility of the share price of the 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 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 8 January 2015, exercisable immediately at 6p, 8p 10p and 12p, were assumed to vest in 1, 2, 3 and 4 years respectively as the share price was expected to rise above the option prices by those times.

The Group recognised a charge of £20,000 (period ending 31 March 2015 £19,000 and year ended 30 September 2015: £43,000) relating to these equity-settled share-based payment transactions during the period.

## 10. WARRANTS

On 31 March 2014, 412,500 ordinary shares of 0.1p were issued at 8p in payment of fees totalling £33,000.

On 31 March 2014, 6,250,000 ordinary shares 0.01p were placed at 8p raising total proceeds of £500,000 before expenses. Each Ordinary Share issued for cash on 31 March had a three-year warrant attached to it which is exercisable at 8 pence. The warrants will not be admitted to trading on AIM. There were 6,250,000 warrants outstanding at 30 September 2014 at a weighted average exercise price of 8p and a weighted average remaining contractual life of 2.59 years.

These warrants fall outside the scope of IFRS2 as they have been issued to shareholders in their capacity as shareholders and have therefore not been treated as share based payments.

On 4 December 2014, the Company announced that it has granted to Golden Bridge Services Limited conditional warrants to subscribe for up to 22,000,000 new Ordinary Shares at a subscription price of 4.25p per share ("Warrant Shares"). The conditions are either (i) the introduction by GBSL, within 150 days, of one or more investor(s) investing together not less than £500,000 in the Company, such new investment being on equal or better terms to the Company than the convertible Loan Note issue; or (ii) the introduction of a strategic partner; that means a strategic partner concluding a transaction, acquisition or collaboration with the Company, such party being a hardware, software or sports and fitness company which has mutual business interests with the Company's business operations and which brings either significant strategic advantages to the Company or which has a platform (being any, some or all of a website, app or e-commerce platform) with not less than 30 million unique users. No share based payment charge has been made in respect of these warrants in the period, as the warrants are conditional upon the introduction of capital or a strategic partner. On 29 April 2015, with the introduction of Adience, the Board decided that the conditions had been met and the warrants became exercisable. The fair value of the services received is considered to be comparable to the fair value of the warrants issued. These have been valued using the Black-Scholes valuation model.

On 12 January 2015, the Company announced that it has granted a total of 3,000,000 warrants over new ordinary shares to certain Directors and employees.

On 29 September 2015, the Company announced that it had granted 11,433,334 warrants over new ordinary shares to Precious Blue Dot Limited in payment of outstanding fees for services. These warrants were valued at the value of the services provided, being £34,000.

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

Unaudited 31 March 2016		Unaudited 31 March 2015		Audited 30 September 2015	
Number	WAEP	Number	WAEP	Number	WAEP

		£		£		£
Outstanding at the beginning of the period	<b>42,683,334</b>	<b>0.048</b>	6,250,000	0.08	6,250,000	0.08
Issued on 4 December 2014	-	-	22,000,000	0.0425	22,000,000	0.0425
Issued on 8 January 2015	-	-	3,000,000	0.09	3,000,000	0.09
Issued on 8 January 2015	-	-	-	-	11,433,334	0.03
Outstanding at the end of the period	<b>42,683,334</b>	<b>0.048</b>	31,250,000	0.05456	42,683,334	0.048

The warrants 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 2016	31 March 2015	30 September 2015
		£	£	Number	Number	Number
1 May 2014	1 May 2014	0.08	-	<b>6,250,000</b>	6,250,000	6,250,000
29 April 2015	4 December 2014	0.0425	0.01667	<b>22,000,000</b>	22,000,000	22,000,000
8 January 2015	8 January 2015	0.06	1.9042	<b>750,000</b>	750,000	750,000
8 January 2015	8 January 2015	0.08	1.6343	<b>750,000</b>	750,000	750,000
8 January 2015	8 January 2015	0.1	1.4298	<b>750,000</b>	750,000	750,000
8 January 2015	8 January 2015	0.12	1.2686	<b>750,000</b>	750,000	750,000
29 September 2015	29 September 2015	0.03	-	<b>11,433,334</b>	-	11,433,334
				<b>42,683,334</b>	31,250,000	42,683,334

For those warrants 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:

	29 April 2015	8 January 2015
Risk free rate	1.50%	1.50%
Share price volatility	50.66%	46.30%
Expected life	6 months	Between 1 and 4 years
Share price at date of grant	£0.0313	£0.04

The Group recognised a charge of £9,000 (period ending 31 March 2015: £6,000 and year ended 30 September 2015: £386,000) relating to these equity-settled share-based payment transactions during the period.

## **11. CONTINGENT ASSETS & LIABILITIES**

The Company's subsidiary company is currently involved in litigation with one of its suppliers, which is claiming €290,000 (£229,193) against the Company for services supplied. The directors have included €150,000 (£118,548, 31 March 2015: £226,509 and 30 September 2015: £215,022) as a provision for this in the accounts which they consider to be prudent. There is therefore a contingent liability of €140,000 (£110,645, 31 March 2015 £102,399 and 30 September 2015: £103,804).

The Company is robustly defending this claim as it considers the services delivered were unsatisfactory and has filed a counter claim exceeding that of the supplier.

## **12. EVENTS AFTER THE REPORTING DATE**

On 5 April 2016, the Company announced that it has issued 1,875,000 new ordinary shares at 3.2 pence per share raising £60,000 and 3,750,000 new ordinary shares at 3.2 pence per share in settlement of fees.

On 11 April 2016, the Company announced that it has issued 5,357,143 new ordinary shares at 2.8 pence per share raising £150,000 and 669,643 new ordinary shares at 3.2 pence per share raising £21,430.

On 29 April 2016, the Company announced that it has issued 2,925,814 new ordinary shares at 2.62 pence per share in settlement of fees, 722,037 new ordinary shares at an average price of 2.57 pence per share in settlement of director's fees, 1,179,163 new ordinary shares at an average price of 2.32 pence per share in settlement of director's fees, 1,096,122 new ordinary shares at an average price of 2.965 pence per share in settlement of director's fees, and 213,129 new ordinary shares at an average price of 2.53 pence per share in settlement of employee remuneration. Additionally 4,588,236 new ordinary shares were issued at an average price of 2.125p in settlement of a director's bonus.

On 3 May 2016, the Company announced that it has issued 1,612,903 new ordinary shares at 3.1 pence per share raising £50,000. Additionally on 3 May 2016, the Company announced that it has converted £200,000 plus interest of £3,666 of the unsecured convertible loan notes into 12,220,000 new ordinary shares.

On 9 June 2016, the Company announced that it has issued 5,951,803 new ordinary shares at 5.05 pence per share raising £300,400, 1,783,238 new ordinary shares at 5.05 pence per share in settlement of fees and 7,368,422 new ordinary shares at 2.375 pence per share in repayment of loans of £175,000.

On 16 June 2016, the Company announced that it has issued 7,768,596 new ordinary shares at 6.05 pence per share raising £470,000.

Following the issue of these shares, the total number of ordinary shares in issue is 323,348,213. This number may be used by shareholders as the denominator for the calculation by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company.