

30 May 2014

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

Half Year Results
for the six month period ended 31 March 2014

CloudTag (CTAG:LN), which develops personal performance monitoring for the professional sports and consumer well being markets, is pleased to announce its interim results for the six months ended 31 March 2014.

Summary of H1 2014 and current trading update

- Completion of user testing and launch of the 'mycloudtag' app on iOS App Store post period end
- Hardware development continuing in collaboration with our technology partners
- Manufacturing partner identified for mass production of CloudTag's first wearable device
- Successfully completed placing of £500,000 post period end

The accounts for the six months ended 31 March 2014 will shortly be available at the Company's website, <http://www.cloudtag.com>, in accordance with AIM Rule 20.

Andy Jackson, CEO, commented:

"I am delighted to announce the launch of our first product. This is a significant milestone and has moved the Company from pure development to initial revenue generation. I look forward to more users downloading the 'mycloudtag' app and the launch, later this year, of both Cloud architecture and our wearable device which is intended to provide an innovative and integrated experience far superior to that available in the current retail marketplace."

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Chairman's Statement

I am delighted that we have recently launched our stand-alone user interface and mobile application, "mycloudtag" (the "App"), which has been developed in collaboration with our software partner Preciousbluedot Ltd. The App is available for free download from Apple Incorporated's App Store and we are working hard to bring the App to Google's Android Platform. Paid-for premium programmes and monthly subscriptions are available for users looking to fast track their training, enabling them to unlock any programme at any time, and allowing the Company to begin generating revenue. The App uses cutting edge 'gamification' to create a unique user experience and delivers high quality professional wellness and sporting video content to the user's mobile device.

The App brings gaming DNA to fitness apps by reorienting how people interact with these applications. Rather than tracking activity and delivering data on such things as how many calories burned, distance walked or pace per mile, the App directly rewards users by giving points or 'stars' for completed programmes. The fitness and wellness programmes are set up like journeys or paths that need to be completed to get to the next level in the App. Each level that is completed gives the user points that can then be used to unlock additional content

The software team are now finalising the development of the Cloud architecture which will allow users to store and access information remotely from their mobile device (data is currently stored locally on the user's mobile device). This will enable the Company to introduce new features to the App in the coming months. Meanwhile, we have commenced marketing of the App with an initial focus on the UK and US markets. The introduction of our new website was the first stage in the process. We are also in advanced discussions with a number of global gym chains, health insurance companies and retailers with a view to creating fully customised Apps for these potential customers, based on the CloudTag architecture and our software development.

Over the past few months, we have recognised a shift in the market for wearable devices and fitness tracking. The accuracy of a number of existing devices has been brought into question and we feel it is incredibly difficult for users to get accurate information from their devices. With that in mind, I believe we are well placed with our technology and have focussed our attention on the development of our patch that utilises ECG technology, derived from clinical devices, rather than advanced accelerometer techniques currently dominant in the retail marketplace. Initial indications suggest that devices utilising ECG technology are significantly more accurate than existing wearable devices targeted at the retail/professional sports markets, particularly for heart-rate related measurements.

This device, once launched, will include a system for intelligent wireless body monitoring that facilitates real-time vital-sign data collection and data transfer using Bluetooth Low Energy. The devices will also have the added feature of being entirely waterproof, thereby enabling them to be used for swimming and water sports.

Financial Results

In the six months to 31 March 2014, the Group recorded a loss before and after tax of £1,012,000 (H1 2013: loss of £1,997,000). This period's loss includes certain fees settled in shares and non-recurring costs associated with product development. The Company continues to be run on a very tight cost-base and the Company's board of directors (the "Board") carefully manages all expenditure. The Board does not recommend the payment of a dividend at this time.

Placing

On 31 March 2014, the Company announced that it had conditionally raised gross proceeds of £500,000 through a placing of 6,250,000 Ordinary Shares of 0.1 pence each in the Company (the “Placing”). Completion of the Placing was conditional upon, *inter alia*, the Company obtaining approval from Shareholders to their allotment and associated disapplication of pre-emption rights at the Company's Annual General Meeting to be held on 23 April 2014 (the “AGM”). Shareholder approval was duly granted at the AGM and the Placing completed on 24 April 2014 with the issue of the 6,250,000 placing shares. Following receipt of the Placing net proceeds, and less expenditures since the period's end, the Company's current cash balance is approximately £340,000.

Outlook

The wearable technology and mobile application market continues to be very active with significant acquisitions in recent months by Under Armour, Facebook, and Intel. CloudTag has made considerable progress towards launching its innovative solutions for the fitness and wellbeing markets. We look forward to progressing towards the launch of our wearable devices alongside updates to the App. The Board believes it is an exciting time for the Company and its stakeholders.

Tony Reeves

Chairman

30 May 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2014

	Unaudited	Unaudited	Audited
<i>Note</i>	Period ended	Period ended	Year ended 30
	31 March	31 March	September
	2014	2013	2013
	£'000	£'000	£'000
Share based payments	(132)	(433)	(627)
Research and development costs	(420)	(233)	(580)
Other administrative expenses	(460)	(1,331)	(1,633)
Total administrative expenses	(1,012)	(1,997)	(2,840)
Loss from operations and loss before taxation	(1,012)	(1,997)	(2,840)
Taxation	-	-	-
Loss after taxation, total comprehensive loss for the period and loss attributable to the equity holders of the Company	(1,012)	(1,997)	(2,840)
Loss per share			
Total basic and diluted (pence per share)	(0.68)	(1.49)	(2.01)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2014

	Share capital	Share premium	Share based payments reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Unaudited 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	-	-	434	-	434
Transactions with owners	<u>14</u>	<u>2,784</u>	<u>34</u>	<u>-</u>	<u>2,832</u>
Loss for the period	-	-	-	(1,997)	(1,997)
Unaudited Balance at 31 March 2013	<u>148</u>	<u>3,202</u>	<u>34</u>	<u>(2,667)</u>	<u>717</u>
Issue of share capital	-	-	-	-	0
Share based payments	-	-	193	-	193
Transactions with owners	<u>-</u>	<u>-</u>	<u>193</u>	<u>-</u>	<u>193</u>
Loss for the period	-	-	-	(843)	(843)
Audited Balance at 30 September 2013	<u>148</u>	<u>3,202</u>	<u>227</u>	<u>(3,510)</u>	<u>67</u>
Share based payments	-	-	132	-	132
Transactions with owners	<u>-</u>	<u>-</u>	<u>132</u>	<u>-</u>	<u>132</u>
Loss for the period	-	-	-	(1,012)	(1,012)
Unaudited Balance at 31 March 2014	<u>148</u>	<u>3,202</u>	<u>359</u>	<u>(4,522)</u>	<u>(813)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

		Unaudited	Unaudited	Audited
		31 March 2014	31 March 2013	30 September 2013
Assets	Notes	£'000	£'000	£'000
Fixed assets				
Property, plant and equipment		2	-	1
Current				
Cash and cash equivalents		100	307	556
Trade and other receivables	5	11	849	5
Total current assets		111	1,156	561
Total assets		113	1,156	562
Liabilities				
Current				
Trade and other payables	6	926	439	495
Total liabilities		926	439	495
Equity				
Issued share capital	7	148	148	148
Share premium		3,202	3,202	3,202
Share based payments reserve		359	34	227
Retained earnings		(4,522)	(2,667)	(3,510)
Equity attributable to owners of the company		(813)	717	67
Total equity and liabilities		113	1,156	562

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2014

	Unaudited Period ended 31 March 2014	Unaudited Period ended 31 March 2013	Audited Year ended 30 September 2013
	£'000	£'000	£'000
Operating activities			
Loss after tax	(1,012)	(1,997)	(2,840)
Share based payments	132	433	627
Fees paid in shares	-	950	950
Decrease/(increase) in trade and other receivables	(6)	43	102
Increase in trade and other payables	431	72	127
Net cash (outflow) from operating activities	(455)	(499)	(1,034)
Cash flows from investing activities			
Purchase of property, plant and equipment	(1)	-	(1)
Net cash outflow from financing activities	(1)	-	(1)
Financing activities			
Proceeds from issue of share capital	-	740	1,525
Share issue costs	-	(76)	(76)
Amounts deposited with shareholder	(550)	-	(745)
Amounts returned from shareholder	550	-	745
Net cash inflow from financing activities	-	664	1,449
Net change in cash and cash equivalents	-	165	414
Cash and cash equivalents at beginning of period	556	142	142
Cash and cash equivalents at end of period	100	307	556

NOTES TO THE INTERIM REPORT

FOR THE PERIOD ENDED 31 MARCH 2014

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 2013 have been extracted from the 2013 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 2013.

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 2014 and 30 September 2013.

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.

	Unaudited Period ended 31 March 2014	Unaudited Period ended 31 March 2013	Audited Year ended 30 September 2013
	£'000	£'000	£'000
Loss on ordinary activities after tax (£000)	<u>(1,012)</u>	<u>(1,997)</u>	<u>(2,840)</u>

Weighted average number of shares for calculating basic loss per share	147,775,000	134,268,819	141,040,411
Basic and diluted loss per share (pence)	(0.68)	(1.49)	(2.01)

5. TRADE AND OTHER RECEIVABLES

	Unaudited 31 March 2014	Unaudited 31 March 2013	Audited 30 September 2013
	£'000	£'000	£'000
VAT recoverable	7	60	2
Prepayments	4	4	3
Unpaid share capital	-	785	-
Total	11	849	5

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.

6. TRADE AND OTHER PAYABLES

	Unaudited 31 March 2014	Unaudited 31 March 2013	Audited 30 September 2013
	£'000	£'000	£'000
Trade payables	371	362	145
Other payables	166	11	14
VAT payable	-	-	-
Accruals	389	66	336
	926	439	495

7. SHARE CAPITAL

The movement in share capital is set out below.

	Unaudited 31 March 2014	Unaudited 31 March 2013	Audited 30 September 2013
	£000	£000	£000

Allotted, issued and fully paid

147,775,000 ordinary shares of
0.01p (31 March 2013 and 30
September 2013: 147,775,000)

148

148

148

8. 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 2014		Unaudited 31 March 2013		Audited 30 September 2013	
	Number	WAEP £	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the period	4,549,998	0.2176	-	-	-	-
Issued on 20 March 2013	-	-	4,549,998	0.2176	4,549,998	0.2176
Outstanding at the end of the period	4,549,998	0.2176	4,549,998	0.2176	4,549,998	0.2176

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 2014 Number	31 March 2013 Number	30 September 2013 Number
		£	£			
20 March 2013	20 March 2013	0.2	0.1163	500,000	500,000	500,000
On launch of product if by 20 March 2014	20 March 2013	0.2	0.1163	1,100,000	1,100,000	1,100,000
On launch of product if by 20 March 2014	20 March 2013	0.25	0.10665	200,000	200,000	200,000
On launch of product if by 20 March 2014	20 March 2013	0.3	0.09862	166,666	166,666	166,666
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	1,100,000	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	200,000	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	166,666	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	750,000	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	200,000	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	166,666	166,666
				4,549,998	4,549,998	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 2014, 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:

	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

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 £132,000 (period ending 31 March 2013 £34,000 and year ended 30

September 2013: £227,000) relating to these equity-settled share-based payment transactions during the period.

9. CONTINGENT LIABILITIES

At 31 March 2014, 31 March 2013 and 30 September 2013 there were no contingent liabilities.

10. EVENTS AFTER THE REPORTING DATE

On 7 April 2014, 250,000 new Ordinary shares were issued at 8p per share in settlement of £20,000 of fees owed to Spur Lodge Limited in respect of fees for Tony Reeves (the Company's Non-Executive Chairman) and 162,500 new Ordinary shares were issued at 8p per share in settlement of £13,000 of company secretarial fees owed to Kitwell Consultants Limited (a company owned by Mike Hirschfield).

On 24 April 2014, 6,250,000 new ordinary shares were issued for proceeds of £500,000.

Following these issues, and as at 30 May 2014, there are 154,437,500 Ordinary Shares of 0.1 pence each in issue.