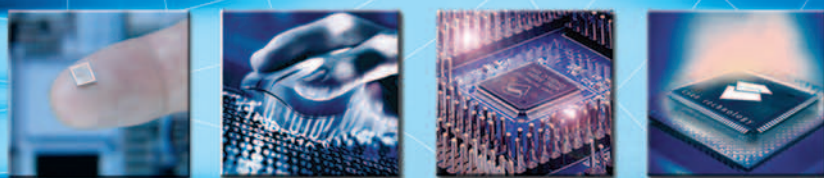
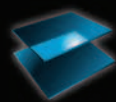


Annual Report and Financial Statements 2005



cyan holdings plc



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Cyan is a fabless semiconductor business specialising in the design, sale, and support of high performance, low energy consumption, 16 bit and 32 bit microcontrollers.

Our microcontrollers are suitable for a wide range of applications due to the extensive and flexible peripherals embedded in the semiconductor chips. Their low power consumption makes them ideal for battery powered products such as asset trackers, GPS and other handheld products.

Cyan focuses on improving the productivity of its principal customer – the customer's design engineering team. It achieves this by supporting its flexible, high performance microcontrollers with a revolutionary software support tool – CyanIDE. Coupled with low cost hardware development systems, this free downloadable software tool allows a design engineer to use a Cyan microcontroller without resort to instruction manuals containing hundreds of pages and at much lower cost. Working through a graphical user interface on a personal computer, the design engineer can select the functions that the microcontroller is required to perform simply through a click, drag and drop procedure. The software tool automatically generates the code required to configure the microcontroller, virtually instantly and without errors.

What can normally take weeks is reduced to a few hours.

This integrated development environment then provides support for the writing of the customer's own product application software.

Ease of use, faster programming, and automatic generation of code means fewer errors and shorter product development.

Customers benefit from lower costs, shorter time to market, longer product lifetimes and increased market share.

Chairman's Statement



Professor Michael Hughes

"Cyan achieved a great deal in 2004 and 2005 - a strong management, sales, and engineering team was established, distribution channels were put in place in Asia and Europe, and the first product was introduced to the market."

2005 was a successful year for Cyan; over two thousand copies of CyanIDE were downloaded by people in the industry, and design wins reached 89 by the year end after the introduction of the 16 bit eCOG1k microcontroller into the market in 2004. Twelve customers moved into production, considerable progress was made on the development of eCOG1X for launch in 2006, and the company was floated on AIM on 7 December 2005. Thanks are due to all our talented colleagues who made this possible.

Our flotation was especially important, not only because it provides the finance for our growth, but also because it has increased our customers' confidence in our future which, in turn, encourages them to trust that our microcontrollers will be available to support their products over the long term. We would like to thank our initial investors for their support and confidence in us, and to welcome our new investors. The Board is committed to enhancing shareholder value through growth, which will be driven by the expansion of our product range, enhancing our customers' product ranges and their product development processes, and providing a first class, one-stop-shop for customer support.

Proceeds from the float amounted to £6.1 million, £4 million being raised directly from the market and £2.1 million from the exercise of warrants by existing shareholders. Cash at the year end was £5.5 million. Proceeds will be largely applied to continuation of the product development programme, an increased sales effort, and the funding of working capital as customers' production quantity orders are received during 2006 and 2007.

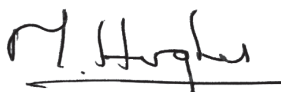
Cyan is now making rapid progress in its strategy of providing ultra low power and low power, high performance, 16 and 32 bit microcontrollers supported by what we believe to be unique integrated software development tools. Our integrated approach to microcontroller development and software tools development provides benefits in the performance of both, and allows particularly effective customer support. It is a novel approach in our business area.

Sales in the year were £29,899, with a Gross Profit of £24,933, and a Net Loss of £2,086,863 arising out of the set-up stage of the Company and the nature of its products. Microcontrollers are components of other people's products so their own development time is followed by the development time of the customer's product, which might typically take 12 to 18 months, before generating production volume orders to Cyan. Longer term however, the advantage is a stable business model as the incorporation of a Cyan microcontroller into a customer's product produces a stream of orders over the lifetime of that product. This stability is enhanced by the application of our microcontrollers to diverse product sectors and widespread geographical areas.

At the time of the Company's flotation, Cyan's current largest customer had committed to an initial order of 100,000 units of eCOG1k which the Company originally estimated it would begin shipping in December 2005. Delays with the roll-out of tax control POS terminal products in China have led to a rescheduling of the drawdown on this order but we are pleased to say that the initial order will now be dispatched over April, May and June 2006. Further orders for this customer are expected for delivery in the second half of 2006 but the revised shipping schedules will mean that an estimated three months of anticipated sales from 2006 will slip into 2007 potentially affecting 2006 budgeted sales. Nonetheless we are pleased to report that 2006 will be our first year of volume sales.

The Company is delighted to advise that it has reached a milestone in exceeding 100 design wins in March 2006, an increase of some 30 design wins since IPO. Particularly pleasing is the quality of customers and potential volumes involved. A design win is when a customer has entered into a relationship with Cyan whereby the customer has purchased a development board and initial silicon from the Company and is actively working on developing an end product for volume production. There is of course no guarantee that any design win will result in a significant order but Cyan believes that the quantity and quality of the design wins within its portfolio means that such an eventuality is likely.

Cyan achieved a great deal in 2004 and 2005 - a strong management, sales, and engineering team was established, distribution channels were put in place in Asia and Europe, and the first product was introduced to the market. We now look forward to our initial growth period in 2006 and 2007.



Professor Michael Hughes
Chairman

Chief Executive's Review of Operations



Dr Paul Johnson

"The successful AIM IPO in December 2005 was important for two reasons. Not only did it provide the resources to take the Company forward but it gave the Company credibility among its suppliers and customers, effectively removing the 'start up' label. The Company is now better placed to win substantial new business from many more customers."

Two new revisions of CyanIDE were released last year and a third is currently in beta release with key customers. We prototyped a test chip for our new eCOG1X product family and eCOG2 product family. The eCOG1X design is currently being prepared for production whilst the test chip is being put through it's paces. Preliminary test results are very encouraging. All the major new technology blocks are functioning correctly and there should be a low risk in moving to final production versions. During 2005 some customers received advance information on eCOG1X under non-disclosure agreements. At the Embedded Systems Show in Nuremberg during February 2006 Cyan released preliminary data to the trade. There was great interest in the eCOG1X and we already have design wins. At the International IC exhibition in Shenzhen, China we had our own, well positioned stand which was manned by our own staff and staff from our distributors. About 300 design engineers registered their details and great interest was shown in both the eCOG1k and the eCOG1X.

Cyan has performed a great deal of work on the upcoming 32 bit microcontroller and have the basics of the CyanIDE toolset completed. Cyan is now able to compile customers' software programs on the 32 bit tools and compare with the most memory efficient processor cores available today and is seeing improvements in memory efficiency. This is important as memory in most 32 bit applications is the largest part of the chip and chip size directly relates to cost.

Cyan is now moving into the production phase of its business and we are setting up the manufacturing operations group. Production orders for silicon wafers have been placed with Taiwan Semiconductor Manufacturing Company (TSMC), our silicon wafer manufacturing partner, to satisfy production orders from our customers.

Strategy

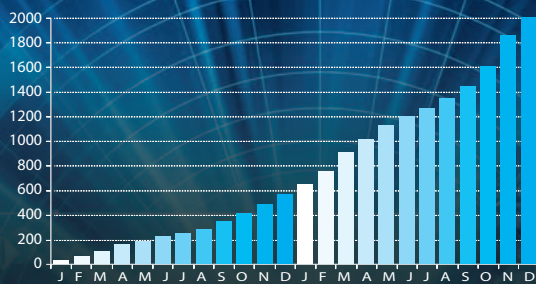
Cyan's approach to the microcontroller market is novel in that it has developed and provides free of charge the most advanced software development tools - CyanIDE - in the industry, whilst competitors rely on generic, third party tools. The software makes chip integration into customer's products vastly more simple, quick, reliable and hence less expensive while dramatically reducing development time. The Company also provides as result of extensive experience in semiconductors and computers, a broad range of microcontrollers to the market with minimal R&D and tooling costs. These microcontrollers are of great importance to battery powered applications and techniques that require ultra low power

Markets

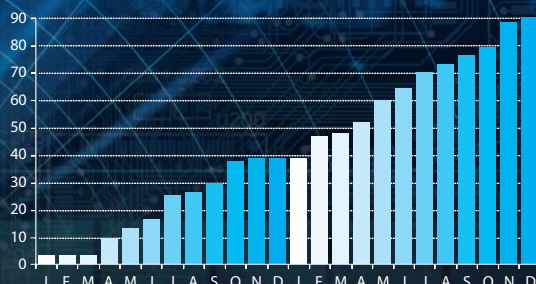
The market for microcontrollers has steadily grown at around 10% per annum for many years. The total market size in 2005 is estimated to be about US\$14 billion with about 7 billion units shipped.

Over the next 4 years the market is expected to grow to over US\$20 billion, with the fastest growth

Website Registrations - January 2004 to December 2005



Design wins - January 2004 to December 2005



coming from 16 and 32 bit microcontrollers, the areas in which Cyan focuses. Cyan has identified Europe and South East Asia as the largest markets for its products, and as such aims to have at least 1% of the microcontroller market within 5 years.

Customers

Cyan raised its first round of funding in early 2004 and since that start has been steadily achieving design wins. These design wins are in diverse applications from asset trackers, taxi meters, data loggers, security systems, point of sale terminals to small computers for skydivers. Design wins are now starting to translate into production. Cyan monitors the take up of this technology and tracks website registrations for CyanIDE downloads, and design wins. It is clear from the above graphs that there is a strong correlation between the two. By the end of 2005 over 2000 people in the industry had downloaded CyanIDE.

We have been successful in winning customers in Europe and China but the biggest potential for volume sales in 2006 and 2007 will be in China. Our largest customer in China has included Cyan's eCOG1k in 7 of its tax control Point of Sale (POS) terminal designs. The total available market for these products is estimated to be in excess of 50 million units over the next few years and our customer is tendering for some 6 million units of near term demand. We are currently working with this customer on the second generation of tax control POS terminals using eCOG1X.

Looking ahead

2006 will see the launch of the eCOG1X product range which will be extensive and include more industry standard peripheral interfaces, which means an even wider range of potential customers. Our 32 bit microcontroller (eCOG2) development will continue and we should complete the design of the Linux operating system to run on it.

Linux is becoming increasingly important particularly in China and India. It is an operating system that can, in most cases, replace Microsoft Windows and has the compelling feature of being completely free, hence the interest from China and India. Linux is generally regarded by software professionals as being faster and more reliable than Windows. The availability of Linux will further increase the market for Cyan products and will make it very attractive for use in portable entertainment products which are becoming very popular in China as well as the rest of the world.

Dr Paul Johnson
Chief Executive

Board of Directors



Prof Michael Hughes
Non-Executive Chairman
(aged 60)

Professor Mike Hughes spent 25 years at General Electric Company (GEC) in Technical Director and Managing Director roles. His responsibilities included development, production, and sales of analogue and digital electronic control and automation products worldwide. He became Executive Director Engineering of Midlands Electricity plc in 1990 and became its Chief Executive in 1993. After the purchase of Midlands by the American utility GPU in 1996, he became Executive Vice President of the GPU International Operations Group operating in America, England, Australia, and Argentina. Professor Mike Hughes is currently a Non-Executive Director of Oxford Instruments plc and the South Staffordshire Group, and the Non-Executive Chairman of EA Technology Ltd. He joined the board of Cyan Holdings plc on 6th July 2005 and is Chairman of the Audit Committee.



Dr Paul Johnson
Chief Executive
(aged 54)

Dr Paul Johnson was awarded his Ph.D. in Electronics from Bradford University in 1978. His research was in very high-speed analogue to digital converters with emphasis on the requirements of digital television. Dr Johnson's industrial career started at Cambridge Consultants Limited where he primarily worked on high-speed analogue to digital converters, sonar and imaging systems. He then went on to found one of the initial Cambridge companies involved in personal computing in the early 1980s, giving him a great deal of experience in the design and manufacturing of high volume products. During the mid 1980s, he founded a small design company specializing in ASIC (Application Specific Integrated Circuit) and product design and developed a number of innovative products and design methodologies. Dr Johnson is the founder of Cyan Holdings plc.



Andy Lee
Finance Director
(aged 46)

A graduate of University College London, Andrew is a Chartered Accountant with 8 years experience with Ernst and Young, mostly as a senior manager and has worked in the Far East and Australia. In 1993 he was responsible for setting up and running the Vietnamese practice. He was appointed UK Group Finance Director for Hachette in 1994 with the responsibility of restructuring the UK based businesses. The turnaround was successfully completed within two years, restoring the business to profit. Andrew left to form his own consulting business concentrating on commercial and financial activities and his work since has concentrated on owner-managed businesses and start-ups. He joined Dr Paul Johnson as a founder of Cyan Holdings plc in February 2003 and joined the Board of the Company on 3rd November 2003. He is currently a Non-Executive Director of The Library House Limited and Birmont plc.



Paul Barwick
Sales Director
 (aged 57)

Paul Barwick's entire career has been in the electronics industry. After an apprenticeship in electronics and working as a field sales engineer, Paul went on to spend eleven years at Jermyn Electronics, a sales and distribution business, where he became sales director, responsible for a sales force of 100 employees. In 1985 Paul left to become general manager at Hawke Components, an electronics distributor with major franchises such as Texas and Motorola. Since 1989, Paul has concentrated on a variety of consultancy and start up propositions; using his expertise in sales to help young businesses graduate from ideas to commercial reality. Paul joined the Board of Cyan Holdings plc on 7th April 2004.



Dr. John Read
Non Executive Director
 (aged 64)

Dr John Read is an experienced manager with a record of developing profitable high-tech semiconductor businesses. In the late 1990's he was director of GEC Plessey Semiconductors and joint president of GPS Inc. in California. Since then he has been involved with a number of fabless start-ups: he was director of Alphamosaic Limited (which was sold to Broadcom Europe Limited) and served on the board of Anadigm Limited from 2000-2003. He is an active mentor for the Cambridge Entrepreneurship Centre and for SETSquared in Surrey. Other positions held include technical director of Texas Instruments in the UK, technical director of STC Telecommunications and director of engineering at Honeywell's Solid State Electronics in Minnesota. Dr Read is a director of three semiconductor companies, Cambridge Semiconductor Limited, Si-Light Technologies Limited and Enecsys Limited. He joined the board of Cyan Holdings plc on 30th November 2005 and is Chairman of the Remuneration Committee.

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31st December 2005

Principal activities and review of the business

The principal activity of the group during the year was that of the research and development of microcontroller chips and general purpose digital semiconductors. During the course of the year the group built up the sales platform for its first microcontroller eCOG1k and made significant advances towards completion of a second product range eCOG1X.

Change of name

On 28 November 2005, the company re-registered under the Companies Act 1985 as a public company and changed its name from Cyan Holdings Limited to Cyan Holdings plc.

Going Concern

The board is satisfied that the group has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason the going concern basis is appropriate for the preparation of these financial statements.

Results and dividends

The trading results for the year together with the group's and company's financial position at the end of the year are shown on pages 15 to 29. This directors' report should be read in conjunction with the chairman's statement on page 2 and the chief executive officer's review on page 4 which include information about the group's business performance during the year and an indication of future prospects.

The directors do not recommend the payment of a dividend (2004: £nil). The company has no plans to adopt a dividend policy in the immediate future and all funds generated by the group will be invested in the further development of the business, as is normal for a company operating in this industry sector and at this stage of its development.

Placing and Admission to AIM

The company raised £2.1m through the exercise of A warrants immediately prior to the application for the company to be listed on the AIM market. On the 7th December 2005 the company raised approximately £4.0m through the placing of 21.85m shares and was admitted to trading on the AIM market.

Directors and their interests

The directors who served the company during the year were as follows:

Executive Directors

Dr. Paul Johnson

Andrew Lee

Paul Barwick

Non – Executive Directors

Prof. Michael Hughes (Chairman appointed 6th July 2005)

Dr John Read (appointed 30th November 2005)

Barry Muncaster (resigned 14th November 2005)

The interests of the directors in the shares of the company are shown in the remuneration committee report on page 11.

Research Design and Development

The group is committed to the research, design and development of a range of microcontroller chips and general purpose digital semi conductors. The costs relating to this work are written off as incurred. In the year such costs incurred amounted to £499,131 (2004: £107,638).

Significant Holdings

In addition to the directors interests shown in the remuneration committee report on page 11 the following shareholders had interests of 3% or more of the company's share capital at 20 March 2006:

	Shares	%
Peter Sugarman	9,891,562	11.73
Allianz Cornhill Insurance plc	4,500,000	5.34
Schweco Nominees	3,357,797	3.98

A liability insurance policy was in force in respect of all of the directors as at the date of approval of this Annual Report.

Derivatives and other financial instruments

The main purpose of the group's financial instruments is to raise finance for its operations. It is not the group's policy to trade in financial instruments, although strategic acquisitions may be made where it is considered that they will further the group's objectives.

a Liquidity and interest rate risk

The group finances its operations primarily through the issue of share capital. Funds for the issue of share capital are on deposit to maximise the interest obtained from them whilst providing sufficiently flexible access to the funds to meet the group's requirements. The deposits are on floating interest rates based on bank base rates.

b Foreign currency risk

The group operated in Hong Kong through its subsidiary, Cyan Asia Limited, whose expenditure is denominated in Hong Kong dollars. In the year ended 31 December 2005 this expenditure accounted for 6.4% of the group's operating costs (2004 - nil). The group financed its net investment of Cyan Asia Limited by means of sterling funds.

Sales are made to customers in Hong Kong. These sales are priced in sterling but invoiced in the currencies of the customers involved. Any exchange gains or losses arising from the settlement of these transactions are dealt with in the profit and loss account.

Supplier payment policy

It is the policy of the Group to settle supplier invoices in line with the terms of business negotiated with them.


Charitable and political donations

There were no charitable or political donations made during the year.

Annual General Meeting

The notice of the Annual General Meeting to be held on 18th April 2006 is set out on pages 31 to 32 together with explanatory notes relating to the resolutions. Deloitte & Touche LLP have been auditors since the incorporation of the company. A resolution to reappoint them will be proposed at the Annual General Meeting.

Approved by the board of directors and signed on behalf of the board



Andrew Lee
Finance Director
20 March 2006

Corporate Governance

Whilst companies whose shares are listed on AIM are not formally required to comply with the Combined Code, the Board supports the Code and applies it in so far as is practicable and appropriate for a public company of its size. The Board is committed to ensuring that high standards of corporate governance are maintained.

There is a clear division of responsibility between the Chairman and the Chief Executive. The Board comprises five Directors, two of whom are independent Non-Executive Directors. Neither of the Non-Executive Directors has any day to day involvement in the running of the business. The Board is responsible for overall strategy, the policy and decision making framework in which this strategy is implemented, approval of budgets, monitoring performance, and risk management. The Board meets at regular scheduled intervals and follows a formal agenda; it also meets as and when required.

The Directors may take independent professional advice at the Company's expense.

Board Committees

The Company has an Audit Committee and a Remuneration Committee both consisting of the Non-Executive Directors. M Hughes chairs the Audit Committee and J Read, the Remuneration Committee.

Relationships with Shareholders

The Board understands the need for clear communications with its shareholders. In addition to presentations after publication of results and the Annual General Meeting, meetings are held with fund managers, analysts, and institutional investors. Information is posted on the Company's web site, www.cyantechnology.com.

Remuneration Committee Report

Remuneration Committee

The remuneration committee comprises the two Non Executive Directors of Cyan Holdings plc and is chaired by Dr. John Read. The committee is responsible for the review and recommendation of the scale and structure of remuneration for executive directors and senior management, including the award of share options.

Remuneration Policy

The company's policy on directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the group's strategic objectives and thereby enhance shareholder value. The package comprises a basic salary, benefits, share options, and pensions.

The company has adopted a share dealing code for directors in accordance with AIM rules and will take proper steps to ensure compliance by all directors.

Incentive Arrangements

It is anticipated that the group will continue to expand its team in line with the needs of a company at its stage of development and growth and therefore the granting of further options over ordinary shares will form an important part of the group's plans to attract, retain and incentivise key staff members. Accordingly the company has been given authority to grant options to subscribe to up to 10% of the company's issued ordinary share capital in any rolling ten year period.

Pensions

The company does not currently make any contributions to the personal pension plans of the directors although it intends to do this in the future. The company operates a stakeholders pension scheme for the benefit of all employees. The company does not currently make contributions to the scheme on behalf of either directors or employees.

Director's Shareholdings in the Company

	2005 number of ordinary shares	2005 %	2004 number of ordinary shares	2004 %
Dr. Paul Johnson	16,295,454 ¹	19.29%	16,250,000	40.03%
Andrew Lee	2,045,454 ²	2.42%	1,500,000	3.70%
Paul Barwick	322,727 ³	0.38%	-	-
Prof. Michael Hughes	340,909	0.40%	-	-
Dr. John Read	113,636	0.13%	-	-

¹ Dr Paul Johnson has a beneficial interest in 16,295,454 shares, 22,727 are held in his own name, 22,727 in the name of Afia Dafoor and he has a beneficial interest in 16,250,000 held in the name of Technology Developments Limited.

² Andrew Lee has a beneficial interest in 2,045,454 shares, he holds 1,705,454 shares in his own name and has a beneficial interest in the 340,000 shares held by Even Handed Licensing Limited

³ Paul Barwick has a beneficial interest in 322,727 shares, he holds 22,727 shares in his own name and 300,000 are held by his wife Mrs D. Barwick

Remuneration Committee Report

Director's emoluments

2005	Basic Salary	Fees £	Bonus £	Total 2005 £	Pension contributions 2005	Total 2004 £
Dr. Paul Johnson	69,583	-	-	69,583	-	50,000
Andrew Lee	52,416	-	-	52,416	-	43,625
Paul Barwick	67,499	-	-	67,499	-	38,541
Prof. Michael Hughes	-	9,167	-	9,167	-	-
Dr. John Read	-	2,083	-	2,083	-	-
Barry Muncaster	-	104,459	-	104,459	-	-

Director's interests in share options

For the directors that held office at 31st December 2005 the following options were outstanding:

	At December 31 2004	Issued in 2005	At December 31 2005	Exercise periods	Exercise price
Dr. Paul Johnson	-	-	-	-	-
Andrew Lee	-	-	-	-	-
Paul Barwick	691,500	-	691,500	15/5/2004-15/5/2014	10p
		2,000,000	2,000,000	30/11/2005-7/12/2010	0.2p
Prof. Michael Hughes	-	400,000	400,000	30/11/2005-7/12/2010	0.2p
Dr. John Read	-	-	-	-	-

This report was approved by the board on 20 March 2006 and is signed on its behalf by:



John Read

Non-Executive Director
20 March 2006

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare accounts for each financial year which gives a true and fair view of the state of affairs of the Company and the Group at the end of the year and of the profit and loss for the year then ended. In preparing the accounts the Directors are required to:

- Select suitable accounting policies and then apply them on a consistent basis
- Make judgements and estimates that are prudent and reasonable
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group to enable them to ensure that the accounts comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

Independent Auditors' Report to the Members of Cyan Holdings Plc (formerly Cyan Holdings Ltd)

We have audited the group and individual company financial statements (the "financial statements") of Cyan Holdings PLC for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and individual company balance sheets, the consolidated cash flow statement and the related notes 1 to 23 together with the analysis and reconciliation of net funds. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed. We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 December 2005 and of the group's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Cambridge, United Kingdom
20 March 2006

Consolidated Profit and Loss Account

Year ended 31 December 2005

	Note	2005 £	2004 £
TURNOVER: continuing operations	2	29,899	12,116
Cost of sales		(4,966)	(9,100)
Gross profit		24,933	3,016
Administrative expenses		(2,228,526)	(1,022,033)
OPERATING LOSS: continuing operations		(2,203,593)	(1,019,017)
Interest receivable and similar income	3	61,970	12,750
Interest payable and similar charges	4	(12,621)	(10)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(2,154,244)	(1,006,277)
Tax on loss on ordinary activities	8	67,381	–
RETAINED LOSS FOR THE FINANCIAL YEAR	19	(2,086,863)	(1,006,277)
LOSS PER SHARE (pence)			
Basic and diluted	10	(3.8)	(2.5)

Consolidated Statement of Total Recognised Gains and Losses

Year ended 31 December 2005

	2005 £	2004 £
Loss for the financial year	(2,086,863)	(1,006,277)
Currency translation difference on foreign currency net investments	(5,400)	–
Total recognised gains and losses relating to the year	(2,092,263)	(1,006,277)

Consolidated Balance Sheet

31 December 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Intangible assets	11	4,000	8,000
Tangible assets	12	163,236	155,801
		167,236	163,801
CURRENT ASSETS			
Stocks	14	59,583	35,396
Debtors	15	182,560	21,460
Investments - short term deposits		5,375,000	–
Cash at bank and in hand		192,680	203,459
		5,809,823	260,315
CREDITORS: amounts falling due within one year	16	(338,105)	(89,734)
NET CURRENT ASSETS		5,471,718	170,581
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS		5,638,954	334,382
CAPITAL AND RESERVES			
Called up share capital	18	168,621	81,182
Share premium account	19	8,598,230	1,121,634
Other reserve - shares for issue	19	–	167,200
Profit and loss account	19	(3,127,897)	(1,035,634)
EQUITY SHAREHOLDERS' FUNDS	20	5,638,954	334,382

These financial statements were approved by the Board of Directors.

Signed on behalf of the Board of Directors



Andrew Lee
Director
20 March 2006

Company Balance Sheet

31 December 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Intangible assets	11	4,000	8,000
Tangible assets	12	86,378	115,171
Investments	13	2,000	2,000
		92,378	125,171
CURRENT ASSETS			
Debtors	15	3,407,557	1,005,561
Investments - short term deposits		5,375,000	–
Cash at bank and in hand		152,406	164,827
		8,934,963	1,170,388
CREDITORS: amounts falling due within one year	16	(203,966)	(6,394)
NET CURRENT ASSETS		8,730,997	1,163,994
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS		8,823,375	1,289,165
CAPITAL AND RESERVES			
Called up share capital	18	168,621	81,182
Share premium account	19	8,598,230	1,121,634
Other reserve - shares for issue	19	–	167,200
Profit and loss account	19	56,524	(80,851)
EQUITY SHAREHOLDERS' FUNDS		8,823,375	1,289,165

These financial statements were approved by the Board of Directors.

Signed on behalf of the Board of Directors



Andrew Lee
Director
20 March 2006

Consolidated Cash Flow Statement

31 December 2005

	Note	2005 £	2004 £
Net cash outflow from operating activities	21	(2,015,849)	(931,442)
Returns on investments and servicing of finance	22	49,349	12,740
Taxation	–	–	–
Capital expenditure and financial investment	22	(66,114)	(57,515)
Cash outflow before management of liquid resources and financing		(2,032,614)	(976,217)
Management of liquid resources	22	(5,375,000)	–
Financing	22	7,396,835	1,036,016
(Decrease) increase in cash in the year		(10,779)	59,799

ANALYSIS AND RECONCILIATION OF NET FUNDS

	At 1 January 2005 £	Cash flow £	31 December 2005 £
Cash at bank and in hand	203,459	(10,779)	192,680
Current asset investments	–	5,375,000	5,375,000
Net funds	203,459	5,364,221	5,567,680

	2005 £	2004 £
(Decrease) increase in cash in the year	(10,779)	59,799
Cash outflow from increase in liquid resources	5,375,000	–
Change in net funds resulting from cash flows	5,364,221	59,799
Movement in net funds in year	5,364,221	59,799
Net funds at 1 January	203,459	143,660
Net funds at 31 December	5,567,680	203,459

Notes to the Financial Statements

31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The company has adopted FRS 21 'Events after the balance sheet date', FRS 22 'Earnings per share', the presentation aspects of FRS 25 'Financial instruments: disclosure and presentation', and FRS 28 'Corresponding amounts'. No restatement of the comparatives was necessary.

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basic of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Intangible fixed assets

The intellectual property is amortised in equal annual amounts over a period of three years. The amortisation started in January 2004 when the exploitation of the intellectual property commenced.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold property improvements	20% straight line basis
Office equipment	50% straight line basis
Plant and machinery, tools and equipment	20-25% straight line basis
Fixtures and fittings	25% straight line basis

Stocks

Stocks are stated at the lower of cost and net realisable value.

Research and development

Research and development expenditure is written off to the profit and loss account as incurred.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Taxation

Current, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Turnover

Turnover is principally derived from the sale of integrated circuits and is stated net of trade discounts and value added tax. Revenue is recognised on despatch, which is deemed to be the point at which the risks and rewards of ownership are transferred.

Notes to the Financial Statements

31 December 2005

2. SEGMENT INFORMATION

The turnover, which arises in the United Kingdom, is attributable to the group's principal activity.

A geographic analysis of turnover has not been provided on the grounds of immateriality.

	United Kingdom		Far East		Group	
	2005	2004	2005	2004	2005	2004
	£	£	£	£	£	£
Segment (loss)	(2,060,691)	(1,019,017)	(142,902)	–	(2,203,593)	(1,019,017)
Operating (loss)	(2,060,691)	(1,019,017)	(142,902)	–	(2,203,593)	(1,019,017)
Finance charges (net)					49,349	12,740
(Loss) on ordinary activities before taxation	(2,154,244)	(1,006,277)				
Segment net assets (liabilities)	5,782,354	334,382	(143,400)	–	5,638,954	334,382
Net assets					5,638,954	334,382

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	£	£
Unrealised exchange gains	24,111	–
Bank interest receivable	37,859	12,750
	61,970	12,750

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Realised and unrealised exchange losses	10,497	–
Bad debts	175	–
On bank loans and overdrafts	1,949	10
	12,621	10

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005	2004
	£	£
Loss on ordinary activities before taxation is after charging:		
Depreciation - owned assets	58,487	49,678
Research and development expenditure	499,131	107,638
Amortisation of intellectual property	4,000	4,000
Rentals under operating leases		
Land and buildings	51,424	26,066
Auditors' remuneration for audit services:		
Group	12,000	5,000
Company	10,000	1,500
Auditors' remuneration for non-audit services:		
Tax compliance	3,500	1,000
Tax advisory	22,500	8,500

During the year the auditors also received £135,250 in respect of the admission of the company's shares to the Alternative Investment Market. The costs have been charged to the share premium account.

Notes to the Financial Statements

31 December 2005

6. STAFF COSTS

Group

	2005 No	2004 No
Average number of persons employed (including executive directors)		
Finance and administration	13	3
Research and development	11	6
	24	9
	£	£
Staff costs during the year (including directors)		
Wages and salaries	1,064,027	559,881
Social security costs	97,724	59,057
	1,161,751	618,938

Company

	2005 No	2004 No
Average number of persons employed (including executive directors)		
Finance and administration	5	4
	£	£
Staff costs during the year (including directors)		
Wages and salaries	100,000	—
	100,000	—

7. DIRECTORS' REMUNERATION

	2005 £	2004 £
The remuneration of the directors of the company was as follows:		
Emoluments	305,207	192,249
	305,207	192,249

The aggregate of emoluments of the highest paid director was £104,459 (2004: £50,000).

Pensions

During the current and preceding year no director was a member of a defined benefit or defined contribution pension scheme to which the company contributes.

Notes to the Financial Statements

31 December 2005

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £
Current taxation		
United Kingdom corporation tax credit	(67,381)	–

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2004 - 19%). The actual tax charge for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2005 £	2004 £
Loss on ordinary activities before tax	(2,154,244)	(1,006,277)
Tax on loss on ordinary activities at standard rate	(409,306)	(191,193)
Factors affecting charge for the year:		
Disallowable expenditure	653	752
Depreciation in excess of capital allowances	8,525	4,052
Enhanced R&D expenditure in the year	(47,323)	–
Losses in the year not recognised	452,803	186,389
Utilisation of brought forward losses	(5,352)	–
R&D tax credit receivable	(67,381)	–
Total actual amount of current tax credit	(67,381)	–

The R&D tax credit receivable is in respect of the year ended 31 December 2004 which was received in February 2006.

Analysis of deferred tax balances

Group

	2005 £	Unprovided 2004 £
Accelerated capital allowances	(21,609)	(24,743)
Tax losses	611,605	96,590
	589,996	71,847

Company

	2005 £	Unprovided 2004 £
Accelerated capital allowances	(16,412)	(21,882)
Tax losses	4,082	35,654
	(12,330)	13,772

A deferred tax asset has not been recognised in respect of the revenue losses as there is insufficient evidence that the asset will be recovered in the immediate future. The asset would be realised if Cyan Technology Ltd began to make future taxable income.

9. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt within the financial statements of the parent company was £137,375 (2004 - loss of £58,757). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

Notes to the Financial Statements

31 December 2005

10. LOSS PER SHARE

The calculations or earnings per share are based on the following losses and numbers of shares.

	2005 £	Basic and diluted 2004 £
Loss for the financial year	(2,086,863)	(1,006,277)
	2005 No	2004 No
Weighted average number of shares: For basic and diluted loss per share	54,823,213	39,567,067

11. INTANGIBLE FIXED ASSETS

Group and Company

	Intellectual property £
Cost	
At 1 January 2005 and 31 December 2005	12,000
Accumulated depreciation	
At 1 January 2005	4,000
Charge in year	4,000
At 31 December 2005	8,000
Net book value	
At 31 December 2005	4,000
At 31 December 2004	8,000

12. TANGIBLE FIXED ASSETS

Group

	Leasehold property improvements £	Plant and machinery, tools and equipment £	Office equipment £	Fixtures and fittings £	Total £
Cost					
At 1 January 2005	14,751	152,275	14,762	19,691	201,479
Additions	18,493	1,077	24,502	20,724	64,796
Exchange difference	845	–	320	153	1,318
At 31 December 2005	34,089	153,352	39,584	40,568	267,593
Accumulated depreciation					
At 1 January 2005	2,395	31,165	5,077	7,041	45,678
Charge in year	5,434	30,916	14,837	7,300	58,487
Exchange difference	90	–	82	20	192
At 31 December 2005	7,919	62,081	19,996	14,361	104,357
Net book value					
At 31 December 2005	26,170	91,271	19,588	26,207	163,236
At 31 December 2004	12,356	121,110	9,685	12,650	155,801

Notes to the Financial Statements

31 December 2005

12. TANGIBLE FIXED ASSETS (continued)

Company

	Tools and equipment £
Cost	
At 1 January 2005 and 31 December 2005	143,964
Accumulated depreciation	
At 1 January 2005	28,793
Charge in year	28,793
At 31 December 2005	57,586
Net book value	
At 31 December 2005	86,378
At 31 December 2004	115,171

13. INVESTMENTS HELD AS FIXED ASSETS

Company

	£
Cost	
At 1 January 2005 and 31 December 2005	2,000

The investment relates to 100% ownership of subsidiaries, Cyan Technology Limited and Cytech Cores Limited both incorporated in England and Cyan Asia Limited, incorporated in Hong Kong.

Cyan Technology Limited operates in the United Kingdom, and its principal activity is to provide a vehicle to market and sell eCOG1, a revolutionary low power microcontroller.

Cytech Cores Limited has been dormant since incorporation.

Cyan Asia Limited operates as a marketing and promotion office for the group's products.

14. STOCKS

Group

	2005 £	2004 £
Finished goods	59,583	35,396
	59,583	35,396

15. DEBTORS

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Trade debtors	2,417	2,836	–	–
Amounts due from group undertakings	–	–	3,345,471	1,004,946
Other debtors	139,731	5,986	57,755	615
Prepayments and accrued income	40,412	12,638	4,331	–
	182,560	21,460	3,407,557	1,005,561

All amounts are due within one year.

Notes to the Financial Statements

31 December 2005

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Trade creditors	139,931	52,037	44,674	2,894
Amounts due to group undertakings	–	–	2,000	2,000
Other taxes and social security	35,689	26,094	–	–
Accruals and deferred income	162,485	11,603	157,292	1,500
	338,105	89,734	203,966	6,394

17. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The directors' report provides an explanation of the role that financial instruments have had during the period in creating or changing the risks the group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the period.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). Certain financial assets such as investments in subsidiary companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Interest rate profile

The group had no financial assets other than treasury deposits of £5,375,000 (2004 - £nil) which are part of the financing arrangements of the group.

Maturity profile of financial liabilities

At 31 December 2005 the group did not have any financial liabilities.

Fair values of financial assets and liabilities

For all financial assets and liabilities book values are considered to approximate fair values.

Hedging

It is not the group's current policy to hedge interest rate and foreign currency risk.

Currency exposures

The group had no material currency exposures at 31 December 2005 or 31 December 2004.

Notes to the Financial Statements

31 December 2005

18. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised		
150,000,000 (2004: 100,000,000) ordinary shares of £0.002 each	300,000	200,000
Called up, allotted and fully paid		
84,310,749 (2004: 40,590,987) ordinary shares of £0.002 each	168,621	81,182
Ordinary shares		
Balance at 1 January 2005	81,182	64,000
New issue	87,439	17,182
Balance at 31 December 2005	168,621	81,182

During the year 43,719,762 ordinary shares were issued for £8,404,440. Share issue costs amounted to £840,405. The resultant premium of £7,476,596 has been credited to the share premium account.

Enterprise Management Incentive Scheme ("EMI Scheme")

Date granted	Number of options	Exercise price per share	Exercise and vesting period
15/05/2004	1,491,500	£0.10	(i)
05/03/2005	150,000	£0.15	(i)
01/05/2005	650,000	£0.15	(i)
05/07/2005	75,000	£0.15	(i)
05/09/2005	490,000	£0.15	(i)
	2,856,500		

(i) Options vest and may be exercised as follows:

12 months from date of grant	25 per cent
24 months from date of grant	a further 25 per cent
36 months from date of grant	a further 25 per cent
48 months from date of grant	a further 25 per cent

Notwithstanding the vesting provisions above, the options vest entirely in the event of a sale or relevant listing.

The share options have a 10 year exercise period from the date of grant.

Unapproved share options

On 1 December 2005, the company granted 2,400,000 share options under this scheme, the exercise price of which is £0.002 per share and the exercise period is between one and five years from date of grant.

In addition, on 1 December 2005, the company also granted 2,107,769 share options, the exercise price of which is £0.22 per share and the exercise period is from 7 December 2006 to 7 December 2008.

In addition, on 1 December 2005, the company also granted 2,529,322 share options, the exercise price of which is £0.22 per share and the exercise period is from 7 December 2005 to 7 December 2010.

In addition to the share options in issue, at 31 December 2005 there also existed warrants which are detailed below.

Warrant	Number of warrants	Exercise price per share	Exercise period
A	2,002,259	£0.20**	Date of grant to 31/12/2006
B	12,614,020	£0.25**	Date of grant to 31/12/2007
C	467,660	£0.002**	Date of grant to 31/12/2008
D	183,070	\$0.35**	Date of grant to 31/12/2006
E	183,070	\$0.4675**	Date of grant to 31/12/2007
	15,450,079		

** All held by shareholders of the company.

Notes to the Financial Statements

31 December 2005

19. STATEMENT OF MOVEMENTS ON RESERVES

Group	Share premium account £	Shares for issue £	Profit and loss account £	Total £
At 1 January 2005	1,121,634	167,200	(1,035,634)	253,200
Loss for the year	–	–	(2,086,863)	(2,086,863)
New issue	8,317,001	(167,200)	–	8,149,801
Currency translation difference on foreign currency net investments	–	–	(5,400)	(5,400)
Expenses	(840,405)	–	–	(840,405)
At 31 December 2005	8,598,230	–	(3,127,897)	5,470,333

Company	Share premium account £	Shares for issue £	Profit and loss account £	Total £
At 1 January 2005	1,121,634	167,200	(80,851)	1,207,983
Profit for the year	–	–	137,375	137,375
New issue	8,317,001	(167,200)	–	8,149,801
Expenses	(840,405)	–	–	(840,405)
At 31 December 2005	8,598,230	–	56,524	8,654,754

20. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2005 £	2004 £
Loss for the financial year	(2,086,863)	(1,006,277)
Other recognised gains and losses relating to the year (net)	(5,400)	–
	(2,092,263)	(1,006,277)
Capital subscribed	7,396,835	1,061,016
Net addition to shareholders' funds	5,304,572	54,739
Opening shareholders' funds	334,382	279,643
Closing shareholders' funds	5,638,954	334,382

21. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	2005 £	2004 £
Operating loss	(2,203,593)	(1,019,017)
Currency translation difference	(5,400)	–
Depreciation and amortisation	62,679	49,678
Increase in stocks	(24,187)	(23,888)
Increase in debtors	(93,719)	(21,366)
Increase in creditors	248,371	83,151
Net cash outflow from operating activities	(2,015,849)	(931,442)

Notes to the Financial Statements

31 December 2005

22. ANALYSIS OF CASH FLOWS

	2005 £	2004 £
Returns on investments and servicing of finance		
Interest received	61,970	12,750
Interest paid	(12,621)	(10)
Net cash inflow	49,349	12,740
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(66,114)	(57,515)
Net cash outflow	(66,114)	(57,515)
Management of liquid resources		
Cash placed on term deposits	(5,375,000)	–
Net cash outflow	(5,375,000)	–
Financing		
Issue of ordinary share capital (net of expenses)	7,396,835	1,036,016
Net cash inflow	7,396,835	1,036,016

23. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2005 £	Land and buildings 2004 £
Group		
Expiry date		
between two and five years	49,157	38,917
	49,157	38,917
Company		
Expiry date		
between two and five years	31,000	38,917
	31,000	38,917

Officers and Professional Advisers

Nominated Adviser and Broker

Collins Stewart Limited
88 Wood Street
London EC2V 7QR

Auditors and Reporting Accountants

Deloitte & Touche LLP
City House
126-130 Hills Road
Cambridge CB2 1RY

Solicitors to the Company

Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ

Financial Public Relations Advisers to the Company

Abchurch Communications
100 Cannon Street
London EC4N 6EU

Principal Bankers

Barclays Bank plc
Chesterton Branch
28 Chesterton Road
Cambridge CB4 3AZ

HSBC plc

City Office
PO Box 85
Cambridge CB2 3HZ

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Notice of AGM

CYAN HOLDINGS PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Cyan Holdings plc (the “**Company**”) for 2006 will be held at the offices of Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ at 11 am on Tuesday, 18 April 2006 for the following purposes:

Ordinary Business

1. To receive and adopt the accounts of the Company for the financial year ended 31 December 2005 together with the directors’ report and the auditors’ report on those accounts.
2. To re-elect Dr Paul Johnson as a director of the Company.
3. To re-elect Andrew Lee as a director of the Company.
4. To re-appoint Deloitte & Touche LLP as auditors to hold office from the conclusion of the annual general meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the directors to fix their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as to Resolution 5 as an ordinary resolution and as to Resolution 6 as a special resolution:

5. THAT, in substitution for any existing authority under section 80 of the Companies Act 1985 (the “**Act**”) but without prejudice to the exercise of any such authority prior to the date hereof, the directors be and are authorised generally and unconditionally for the purposes of section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount equal to £106,894 to such persons and at such times and on such terms as they think proper during the period expiring (unless previously revoked or varied by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
6. THAT in substitution for any existing power under section 95 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the directors be and are empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on the directors by resolution 5 contained in the notice of the Annual General Meeting of the Company of which this resolution forms part as if sub-section (1) of section 89 of the Act did not apply to such allotment provided that this power shall (unless previously revoked or varied by the Company in general meeting) expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired and save also that the power conferred by this resolution shall be limited to:
 - 6.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interest of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems arising in connection with the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and
 - 6.2 the allotment (otherwise than pursuant to sub-paragraph 6.1 above) of equity securities up to an aggregate nominal value not exceeding £16,862.

By order of the board
Andrew Lee ACA
20 March 2006

Registered office:
Buckingway Business Park
Swavesey
Cambridge
CB4 5UQ

Notice of AGM

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and, on a poll, to vote in his place and such proxy need not be a member of the Company. A form of proxy is enclosed.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof must be deposited with Capita Registrars, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU¹ not less than 48 hours before the time of the meeting. Completion and return of a form of proxy will not preclude a member from attending and voting in person.
3. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6pm on 16 April 2006, or, in the event the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 6pm on 16 April 2006, or, in the event the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
5. Copies of the register of directors' interests in shares of the Company kept in accordance with section 325 of the Companies Act 1985 and copies of all service agreements under which directors of the Company are employed by the Company or any subsidiaries will be available for inspection at the Company's registered office, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the day of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting.

¹ Capita to confirm correct address and post code for receipt of forms of proxy

CYAN HOLDINGS PLC

ANNUAL GENERAL MEETING

Form of Proxy

I/We [name in full in block capitals]

of

being a member/members of Cyan Holdings plc (the "Company") hereby appoint the Chairman of the meeting or (see note 1 below)

..... as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 18 April 2006 at [11 a.m.] at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ and at any adjournment thereof.

Please indicate with an "X" in the appropriate box below how the proxy should vote and then sign in the space provided below. If no specific direction as to voting is given, the proxy may vote or abstain at his discretion.

Resolution	For	Against
1 To receive and adopt the financial statements for the period ended 31 December 2005		
2 To re-elect Dr Paul Johnson as a director		
3 To re-elect Andrew Lee as a director		
4 To re-appoint Deloitte & Touche LLP as auditors to the Company		
5 To authorise the Directors to allot relevant securities pursuant to section 80 of the Companies Act 1985 in the manner contained in the notice of Annual General Meeting		
6 To disapply section 89(1) of the Companies Act 1985 in the manner contained in the notice of Annual General Meeting		

Dated 2006

Signature

Notes

1. If it is desired to appoint another person or persons as proxy the words "the Chairman of the Meeting or" should be deleted and the name of the proxy (who need not be a member of the Company) inserted into the appropriate space. If such words are not deleted and a proxy is named on this form the Chairman shall not be entitled to vote as proxy. Any alteration must be initialled.
2. To be valid, this form, together with the power of attorney or other written authority, if any, under which it is signed or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power or written authority, must be lodged with the Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU¹ not less than 48 hours before the time of the meeting.
3. A corporation must execute this form either under its common seal or under the hand of two directors or one director and the secretary or under the hand of an officer or attorney duly authorised in writing.
4. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated and the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. Deposit of a completed form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.
6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast) members must be entered on the register of members of the Company by 6 p.m. on 16 April 2006. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the adjourned meeting is 48 hours prior to the time of any adjourned meeting.

¹ Capita to confirm correct post code for receipt of forms of proxy

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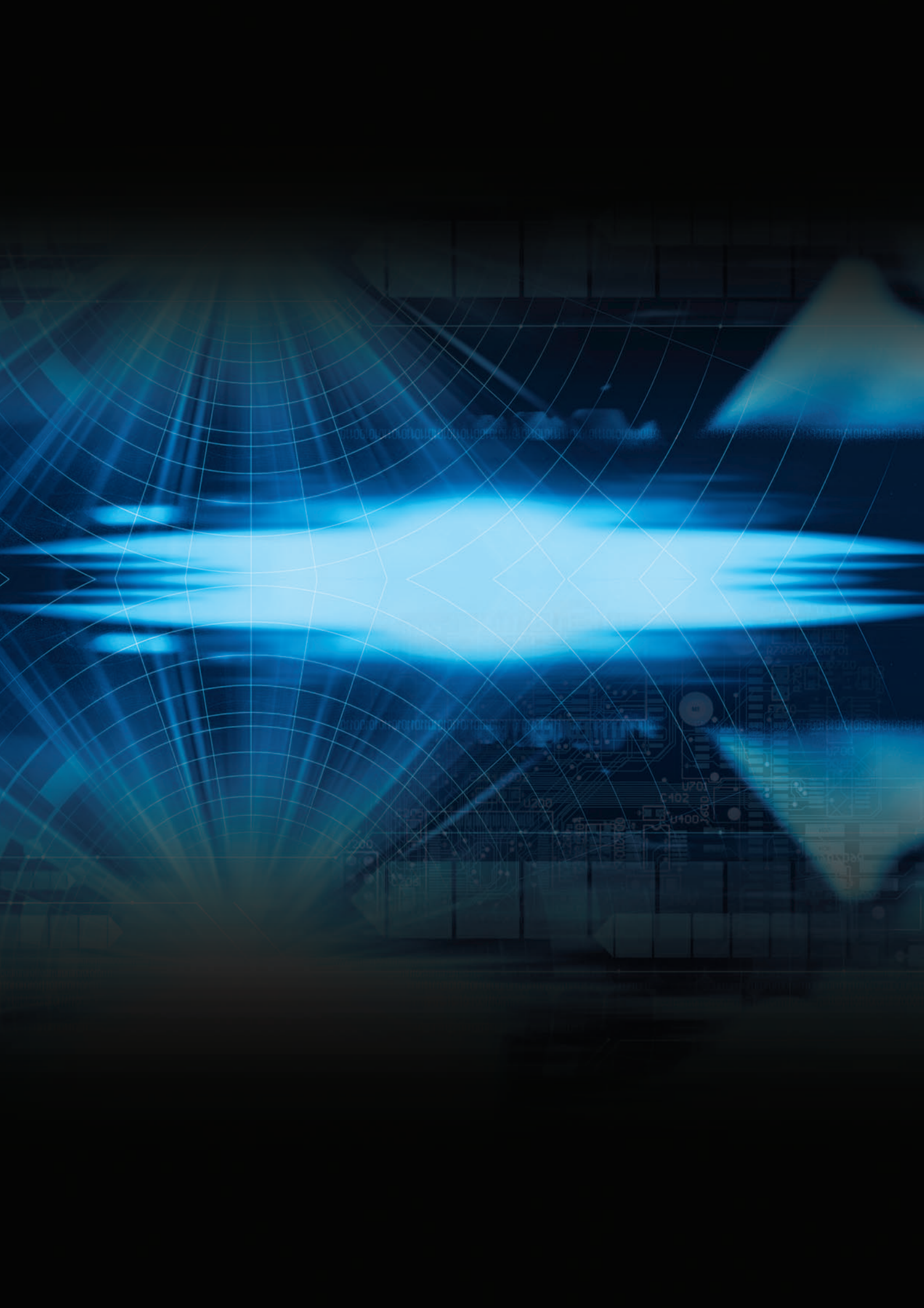
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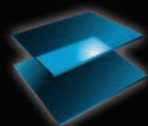
Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4BR

Second Fold





cyan holdings plc



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