Annual Report
and Financial Statements 2008

cyan holdings plc

About Cyan

Based in Cambridge in the UK, Cyan Holdings plc is a fabless semiconductor company specializing in the development of applications solutions collectively known as Cy-*Solved*™ which are built upon the company's low powered, configurable eCOG1kG and eCOG1x microcontroller chips (MCU's).

Cy-*Solved*™ accelerates design in of Cyan products by providing a ready to run solution that a customer can use to prototype and then easily modify using Cyan tools. This avoids competing at component level where margins are thin and only a few cents can determine the lowest successful bidder. A Cyan customer makes their own modification to a Cy-*Solved*™ solution resulting in a unique piece of application software, developed specifically by them, to provide them with an edge in their chosen markets. This can deliver dollars of value to the customer, a value that is only available when using Cyan MCU products.

Cy-*Solved*™ incorporates ready to go solutions, software stacks, applications examples, modular software based on easy to use APIs, evaluation boards and production hardware modules from partners, all pulled together through Cyan's free integrated development environment CyanIDE.

Cy-*Solved*™ can be incorporated as-is into an application but also supports an ability to be easily customised – either way, giving users a head start on the road to market and in many cases removing the need to understand the underlying technology. This is a critical advantage in the Chinese market where the supplier undertakes a large proportion of product design as a part of the vendor selection process. With Cy-Solved™ Cyan Asia's distributors are all now equipped to quickly and easily provide customised solutions for each prospect thus enhancing Cyan's competitiveness in the fastest moving and most price sensitive of markets.

Currently available Cy-*Solved*™ applications include RF-*Solved*, USB-*Solved*, Ethernet-*Solved* and Motor Control-*Solved* all of which already allow Cyan to address a diverse range of markets including Automated Utility Metering, Remote Energy Metering, Asset Monitoring, White Goods, Security Systems, Industrial Controls and a wide range of Handheld Terminals. These markets can be directly addressed by Cyan during 2009 while additional Cy-*Solved*™ products, released during the year, will further extend the range of markets addressable by Cyan during 2009 and beyond.

The Company was founded in 2002 and listed on AIM in 2005, Cyan Holdings plc operates through the brand 'Cyan'.

Website: http://www.cyantechnology.com

Chairman's Statement

Dr John Read

2008 was another challenging year for Cyan as the management team continued to reposition the Group. This has successfully led to several customer engagements moving to pilot production and now in 2009 we have seen the first substantial orders.

In last year's statement I reported that under Kenn's leadership as CEO the Group was addressing the twin issues of competing at component level with the major semiconductor manufacturers and of producing product which was technically excellent but could not be manufactured at a cost that customers were willing to pay.

At the outset of the year we were developing a cost-reduced microcontroller which we felt would be the key to profitable sales penetration in China. This development was successfully completed in mid-2008. The specification and performance of the new microcontroller is extremely competitive both technically and on cost with similarly targeted designs from the major semiconductor manufacturers.

We also began development of a range of module solutions that demonstrate the use of Cyan microcontrollers for several specific application areas. These are to provide ready-made solutions to customers to facilitate rapid prototyping for their product development programs. The initial take-up of these through our agreements with catalogue suppliers Farnell and RS in the UK and Mauser in the US plus our direct sales gave us further insight into some key developing market segments. This, together with specific customer discussions led us to improve our range of RF enabled modules together with robust, proprietary mesh-networking software that has resulted not only directly in the new orders announced in March but also to a number of other exciting potential engagements.

We have been presented with the opportunity to supply not just low-cost microcontrollers but modules and larger parts of our customer's systems requirements together with our mesh-networking software at substantially higher selling prices than microcontrollers alone. While this approach will still lead eventually to the higher volumes of chip sales that were the original aim of the module strategy they should also ease the path to earlier significant revenues than would otherwise have been the case.

The results of these actions only began to materialize towards the end of the year and we closed 2008 with a turnover of £145,627 (2007: £32,596). The loss for the year was lower at £3,999,326 (2007: £4,287,626).

We believe that the group has reacted well to the challenges and is now in a position to grow revenues strongly in 2009.

Board Changes

In the early part of the year David Gutteridge joined the board as a non-executive with financial background. He also chairs the Audit committee. David's experience and advice are invaluable and have been particularly so during the difficult second half of 2008 and early 2009.

Andrew Lee, CFO, was taken ill in late August and terminated his employment in February. We thank Andy for his contributions since the founding of the Company and wish him well and to restored health for the future. The position of finance director was terminated and the Company hired Heather Peacock as full-time financial controller.

Placing of new shares

The Company sought and secured a further round of finance in August 2008 with the support of several major existing shareholders and some new ones and I would like to take this opportunity to thank them for their support.

We believe that the Company will continue to benefit from the changes that were put in place during 2008 and indeed we are already seeing orders coming through as a result of these actions and the continued hard work by everyone at the Company.

Dr John Read
Chairman
22 April 2009

Chief Executive's Review

Kenn Lamb

Twelve months ago the Cyan team were deeply engaged in executing the new strategic business plan. Organisational changes had been completed, investment in enhancements and extensions to the technology were under way, the first module products had been defined and marketed under the Cy-Solved brand and significant manufacturing cost reductions had been realised by a new operations team.

Today Cyan has taken the first steps to becoming a major supplier to the global Automated/Smart metering market, the global street lamp control market and to become a leading supplier of gateways (access points) to a wide range of industrial wireless networks.

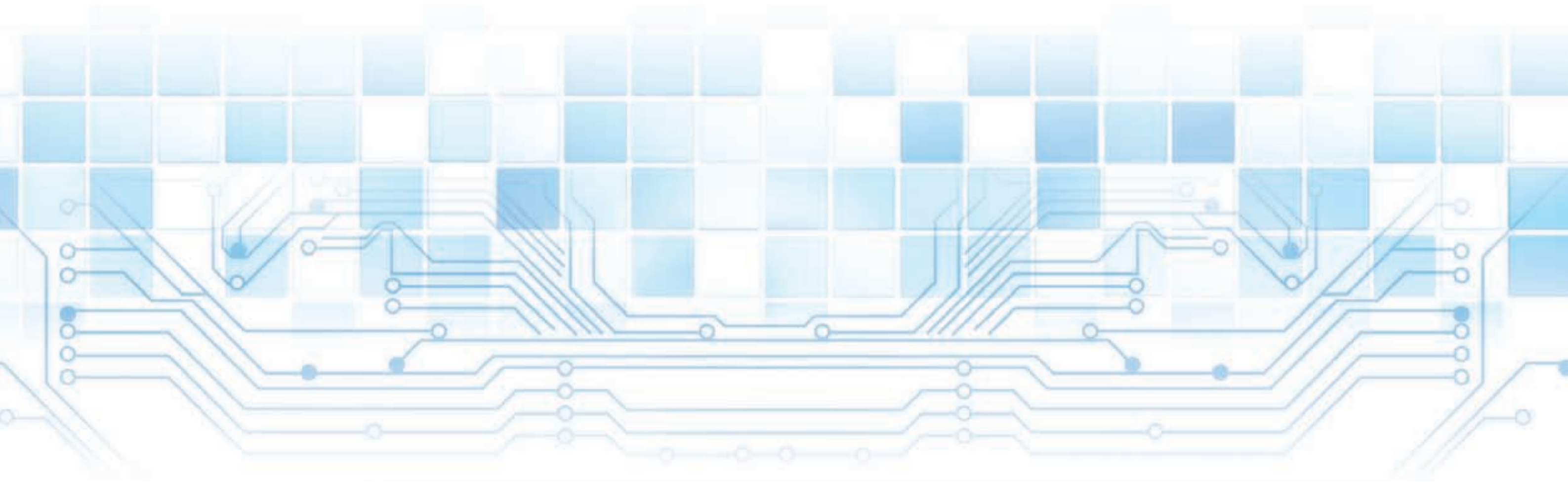
Cyan has secured valuable partnerships with Micrel Inc and Future Electronics Inc providing a global network of sales and support and for the first time offering Cyan access to worldwide markets through major established players. Cyan has secured working relationships with established suppliers of meters, street lamps and wireless networking standards and is actively engaged in multiple field trials and joint development of customised products.

Cyan has realised in our new products the low power and cost saving capability of our microcontrollers, the system development capacity of our software tools, the application knowledge of our engineering teams and has built products that offer prices and functionality that customers want. Cyan has targeted markets that, even in the current economic climate, are receiving new investment and benefit from government incentives as they contribute to reducing energy consumption.

Cyan is inevitably affected by the global slowdown. The first half of 2008 saw the release of a generation of products that could be rapidly developed and launched onto the market. These products addressed a broad range of applications so as to maximise the prospects of early sales. The initial market reaction was positive but as the slowdown progressed these failed to achieve initial sales expectations but instead guided us to the metering, street lamp and industrial control markets. The company then developed proprietary, application specific software, targeted directly at these markets, including features that customers had specifically requested. This second generation of products, (only recently fully released), is rapidly gaining traction, but the delay in realising sales necessitated a substantial reduction in the cost base of the business, a reduction that has now been fully implemented.

Looking Forward

Cyan now has the products, partners, customers and prospective customers that have more than sufficient capacity to drive growth and profitability for the business. Proprietary application software ensures that good margins can be consistently



realised, our targeted markets demonstrably support annual sales volumes in tens of millions and our partnerships support a roadmap of product and technology enhancements that ensures that Cyan can not only defend but also grow market share.

The Cyan team have worked diligently and have developed valuable intellectual property further enhancing our technology leadership, a process that has accelerated, as we understand more of the requirements of our target markets. Once again I wish to acknowledge and thank Cyan employees for their enthusiasm and dedication.

In developing new products Cyan has delivered all that we set out to achieve. Customer's reaction to the price, specification and ease of use confirms this view. Cyan would not have secured its partnerships if we had not developed attractive and competitive products and together with these partners we now have our first customer orders, across a range of products, each targeted at a fast growing global market.

The rate at which customers can fund the purchase and deployment of our products now determines how soon Cyan will achieve profitability, however we must recognise that in the current economic climate not even our customers can predict timing with any certainty. I am nonetheless enormously encouraged by the announcement on 31st March of four new customers spread across our range of new products. These four clearly demonstrate the potential that relatively few such customers are all that is required to take the company into profitability. When compared with the number of prospective companies where Cyan is currently actively engaged in product evaluation the prospects for 2010 are exciting.

Kenn Lamb
Chief Executive Officer
22 April 2009

Directors' Report

The Directors present their annual report on the affairs of the Group together with the audited financial statements and auditors' report for the year ended 31 December 2008.

Principal activities and review of the business

The principal activity of the Group during the year was that of research and development of microcontroller chips, general purpose digital semiconductors, application solution modules and software and developing markets in which to sell them.

Enhanced Business Review

The year ended 31 December 2008 was another challenging year for Cyan Holdings plc.

The completion of the radical overhaul in strategy, management and products begun in 2007 was the main feature of 2008. The costs involved in doing this continued to be substantial, resulting in a loss of some £4,465,000 (2007: £4,648,000). Although further cash was raised during the year from a successful placing it was deemed prudent to cut the monthly cash burn going into 2009. Unfortunately this necessitated several redundancies as the majority of the cost base is in salaries. This action was completed in early 2009 and the benefit is now coming through in reduced overheads.

More detail about the 2008 performance and future prospects can be found in the Chief Executive's Review of Operations.

The principal risks and uncertainties to which the Group is exposed are described in notes 20 and 22 of the financial statements and comprise market risk, credit risk and liquidity risk. In addition, there is a risk that new customer relationships will not lead to the sales currently forecast. Finally as any technology company, we are dependent for our success on a relatively small number of highly skilled staff, and there is a substantial business risk associated with our ability to retain the staff remaining especially following our recent round of redundancies.

During 2008, the Group incurred a monthly average operating cash burn of £467,000 (2007: £327,000) and incurred a loss for the year of £3,999,326 (2007: £4,287,626). Revenue in 2008 was £145,627 (2007: £32,596). The Group had an average of 53 staff in 2008 (2007: 42). The Group finished the year with net assets of £2,646,947 (2007: £4,184,248) and with cash of £1,356,886 (2007: £4,079,534).

Going Concern

The directors have prepared a business plan and cash flow forecast for the period to 30 April 2010. The forecast contains certain assumptions about the level of future sales and the level of gross margins and also identified the imminent need for additional finance to fund working capital. On this basis, the directors have assumed that the Company is a going concern. These assumptions are the directors' best estimate of the future development of the business.

The directors acknowledge that the Group is trading in a difficult economic environment and in markets that are new to the Group. This may impact both the Group's ability to generate positive cashflow and to raise new finance. There is a risk that the level of sales achieved is materially lower than the level forecast. The directors have taken steps to satisfy themselves about the robustness of sales forecasts. In addition, the directors' have been in communication with a number of potential investors, including current shareholders, who have expressed interest in providing the necessary funding. There does remain a significant risk that the required level of funding will not be received in the necessary timescale.

There is a material uncertainty related to the assumptions described above which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. In the event the Group ceased to be a going concern, the adjustments would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

Dividends

The Directors do not recommend the payment of a dividend (2007: £nil). The Group 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.

Capital Structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 23. The company has one class of ordinary shares of 0.2 pence each, which carry no right to fixed income and represents 100% of the issued share capital of the company. Each share carries the right to one vote at general meetings of the company. The Group's capital structure consists only of issued share capital, which it manages to maximise the return to shareholders.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of the employee share schemes are set out in note 32.

No person has any special rights of control over the company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Corporate Governance Statement on page 9.

Under its Articles of Association and pursuant to authorities granted under the Companies Act, the company has authority to issue ordinary shares of 0.2 pence each up to a nominal value of £1,200,000.

Directors and their interests

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

Executive Directors
Kenn Lamb
Andrew Lee (resigned 16 February 2009)

Non-Executive Directors
Dr John Read (Chairman)
David Gutteridge (appointed 5 February 2008)

Mr Gutteridge and Dr John Read are the members of the audit committee, nominations committee and remuneration committee. Dr John Read retires at the next Annual General Meeting and, being eligible, offers himself for re-election.

The interests of the Directors in the shares of the company are shown in the remuneration committee report on page 12.

Research Design and Development

The Group is committed to the research, design and development of a range of microcontroller chips and general purpose semiconductors. The costs relating to this which have been written off in the year amounted to £1,953,937 (2007: £1,486,619).

Significant Holdings

In addition to the Directors' interests shown in the remuneration committee report on page 12 the company had been notified of the following voting rights as a shareholder in the company at 22 April 2009:

	Percentage of voting rights and issued share capital	Number of ordinary shares	Nature of holding
P Lobbenburg	9.26%	44,200,000	Combined
Tosca Asset Management LLP	7.44%	35,500,000	Direct
K Lamb	7.44%	35,500,000	Combined
Allianz Insurance plc	6.22%	29,663,659	Direct
Rensburg Sheppards Investment Management Ltd	5.62%	26,827,000	Direct
Janice Sugarman	4.24%	20,250,000	Combined
INVESTCO Perpetual AIM VCT Trust	4.19%	20,000,000	Direct
Dr Paul Johnson	3.41%	16,272,727	Indirect

Fixed Assets

In the opinion of the directors there is no material difference between the market value of fixed assets and the amounts at which they are stated in note 16 to the accounts.

Supplier payment policy

It is the policy of the Group to settle supplier invoices in line with the terms of business negotiated with them. Note 22 to the financial statements discloses the Group's creditor days.

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

Auditors
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008, the company's auditors, Deloitte & Touche LLP, changed their legal name to Deloitte LLP.

Deloitte LLP have expressed their willingness to continue in office as auditors and resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

Kenn Lamb
Chief Executive Officer
22 April 2009

Board of Directors

Kenn Lamb – Chief Executive Officer (aged 50)

Kenn was awarded a 1st Class Honours degree in Electrical Engineering from Imperial College London and relocated to Silicon Valley in the early 80's working for Advanced Micro Devices (AMD) on the Am29500 family of products. Returning to the UK to head and grow the CMOS digital product group at Plessey Semiconductor's new fabrication facility, his team developed semiconductor products that realised over $100M in sales.

In the early 90's Kenn established the European operation for Comdisco Systems Inc, an EDA software tool business with products that became widely used in the development of the European GSM network. This company was subsequently acquired by Cadence Design Systems Inc, one of the three leading EDA tool vendors.

Recruited from Cadence to Actel, a Fabless Semiconductor Company where growth had stalled, Kenn rebuilt the European team, personally running UK, German and French subsidiaries where he quadrupled sales revenues in two years.

In 2001 Kenn was the CEO founder of Elixent, a semiconductor IP company and completed a successful sale of this business to Matsushita (Japan) in 2006.

Prior to Elixent Kenn was senior vice president sales at ARC International plc where he managed the restructuring of its international sales team, turning the business from a decline in sales, through two years of quarter on quarter growth, to a successful London Stock Exchange flotation in September 2000, which achieved a market capitalisation of £500m. Kenn joined the board of Cyan in April 2007 to manage the implementation of a new product and go-to-market strategy and a restructuring of the business.

Dr John Read – Non-Executive Chairman (aged 67)

Dr John Read is an experienced manager with a record of developing profitable high-tech semiconductor businesses. In the late 1990s he was a 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 a director of Alphamosaic Limited (which was sold to Broadcom Europe Limited), and served on the board of Anadigm Limited from 2000 to 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 at STC Telecommunications, and director of engineering at Honeywell's Solid State Electronics in Minnesota. Dr Read is a director of the semiconductor company Si-Light Technologies Limited and a director of Iceni Advisory Limited. He became a Director of Cyan in November 2005 and was appointed Chairman in October 2007

David Gutteridge – Non-Executive Director (aged 57)

David has over twenty-five years experience in the technology and IT sectors. He has held the position of director of a number of public and private companies where he has made a significant contribution to their business and strategic development. He has extensive experience in listings, management buy-outs and buy-ins, venture capital start ups as well as acquisitions and disposals.

David's last executive role was as Chief Operating Officer and Finance Director of UK based banking software provider Financial Objects plc where he led the Company's flotation on the Main Market of the London Stock Exchange as well as the organic and acquisitive growth of the business.

David is currently a senior independent Non-Executive Director of Sanderson plc, a £30 million revenue software solutions company and the Chairman of Tinglobal Limited, a private equity backed IT solutions vendor. He is a CIMA qualified accountant. He became a Director of Cyan in February 2008.

Corporate Governance Statement

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. At 31 December 2008 the Board comprised four Directors, two of whom were independent Non-Executive Directors. The Non-Executive Directors do not have 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.

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, which contains a comprehensive Investor Relations section.

Remuneration Committee Report

Remuneration committee
The company has established a Remuneration Committee. The members of the committee during 2008 were Dr John Read and David Gutteridge. Both directors are independent non-executive directors and the committee was chaired by Dr John Read.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the board. No director plays a part in any discussion about his or her own remuneration.

In determining the directors' remuneration for the year, the Committee consulted Mr. Kenn Lamb (Chief Executive) and Mr. Andrew Lee (former Finance Director) about its proposals.

Remuneration policy for the executive directors
Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to maintain the group's market position to reward them for enhancing value to shareholders. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.

There are five main elements of the remuneration package for the executive directors and senior management:

- Basic annual salary;
- Benefits-in-kind;
- Annual bonus payments;
- Share option incentives; and
- Pension arrangements.

Executive directors are entitled to accept appointments outside the company providing that the Chairman's permission is sought and fees in excess of £20,000 from all such appointments are accounted for to the company.

Basic Salary
An executive director's basic salary is reviewed by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the group as a whole and relies on objective research, which gives up-to-date information on a comparator group of companies. Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Benefits-in-kind
The executive directors receive certain benefits-in-kind, principally private medical insurance.

Annual bonus payments
The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters the Committee refers to the objective research on a comparator group of companies as noted above. The Committee believes that any incentive compensation awarded should be tied to the interest of the company's shareholders and that the principal measure of those interests is total shareholder return. Account is also taken of the relative success of the different parts of the business for which the executive directors are responsible and the extent to which the strategic objectives set by the board are being met. In addition the Committee has the power to grant bonuses at its discretion.

Share options
During the year ended 31 December 2007 following notification in the circular to the shareholders for the Extraordinary General Meeting on 24 August 2007, the company commenced work on setting up an Employee Benefit Trust. During the year ended 31 December 2008, there were issues under this scheme as described below under 'Directors' Share Options'.

Remuneration Committee Report

Pension arrangements
Executive directors are members of the company pension scheme. This is a defined contribution scheme whereby the company contributes at a rate of 5% of the executives' gross salary.

Directors' contracts
It is the company's policy that the executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. It may be necessary on occasion to offer longer notice periods but this has not been necessary for any director on the current board. All executive directors have contracts that are subject to one year's notice by either party.

Dr John Read who is also proposed for re-election, being a non-executive director, does not have a service contract. The details of the directors' contracts are summarised in the table below:

Name of Director	Date of contract
Kenn Lamb	27 March 2007
Dr. John Read	30 November 2005
David Gutteridge	5 February 2008

Non-executive directors
All non-executive directors have specific terms of engagement and their remuneration is determined by the board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The basic fee paid to each non-executive director in the year was:

Dr. John Read	£50,000
David Gutteridge	£22,270

Non-executive directors are not eligible to join the company's pension scheme.

Directors' emoluments (audited)

Name of director	Fees/ Basic salary £	Benefits in kind £	Company contributions to money purchases schemes £	Annual bonus £	2008 total £	2007 total £
Executive						
Kenn Lamb	150,720	17,060	7,500	45,000	220,280	222,823
Andrew Lee	100,000	–	5,000	9,100	114,100	125,000
Non Executive						
Dr. John Read	50,000	83	–	–	50,083	36,600
Mr David Gutteridge	27,609	–	–	–	27,609	–

£2,607 (2007: £nil) was paid to third parties in respect of directors services.

Directors' share options (audited)
Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. There were no options exercised by directors during the year (2007: nil)

Options granted under the EMI Share Option Scheme and unapproved share option schemes above, are not subject to performance criteria.

Remuneration Committee Report

During 2008 an Employee Benefit Trust was set up (EBT). On 9 April 2008 10,200,000 shares were issued to Directors under this scheme. On 18 December 2008 a further 27,303,000 shares were issued to Directors and senior managers under this scheme. At 31 December 2008, shares held by Directors under this scheme were as follows:

	2008 £	2007 £
Kenn Lamb	30,000,000	–
John Read	1,000,000	–
Andrew Lee	1,000,000	–
	32,000,000	–

The market price of the ordinary shares at 31 December 2008 was £0.0062 and the range during the year was £0.0628 to £0.0062.

The executive directors are members of a money purchase pension scheme. Contributions paid by the company in respect of such directors were as follows:

Name of director	2008 £	2007 £
Kenn Lamb	7,500	5,229
Andrew Lee	5,000	5,000

Approval
This report was approved by the board of directors on 22 April 2009 and signed on its behalf by:

Dr John Read
22 April 2009

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have also elected to prepare financial statements for the company in accordance with IFRSs. Company law requires the directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

By order of the Board

Chief Executive
Kenn Lamb
22 April 2009

Independent Auditors' Report to the Members of Cyan Holdings plc

We have audited the group and parent company financial statements (the 'financial statements') of Cyan Holdings plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and individual company balance sheets, the consolidated and individual company cash flow statements, the consolidated and company statements of recognised income and expense, and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Committee Report that is described as having been audited.

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, the Remuneration Committee Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Committee Report to be audited in accordance with relevant 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 and whether the financial statements and the part of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information outside the Annual Report.

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 and the part of the Remuneration Committee Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, 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 and the part of the Remuneration Committee Report to be audited 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 and the part of the Remuneration Committee Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;

- the financial statements and the part of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 3 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the group's affairs as at 31 December 2008 and of its loss for the year ended.

Emphasis of matter – Going concern

Without qualifying our opinion, we draw attention to the disclosures made in note 3 of the financial statements concerning the company's ability to continue as a going concern. The group incurred a net loss of £3,999,326 during the year ended 31 December 2008 and, as of that date, the group's cash balance was £1,356,886. In making their assessment of whether the application of the going concern is appropriate, the directors have referred to the company's business plan and cash flow forecast, which assumes a certain level of sales and an imminent need for additional funding. There is a risk that the actual level of sales achieved is significantly lower than is assumed in that business plan. In addition, there is a risk that the required level of additional funding will not be received on a sufficiently timely basis or will not be received at all. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern. In the event the Group ceased to be a going concern, the adjustments would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

Deloitte LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom
22 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 £	2007 £
Continuing operations			
Revenue	5	145,627	32,596
Cost of sales		(86,321)	(26,934)
Gross profit		59,306	5,662
Administrative expenses		(2,485,486)	(2,264,076)
Research and development costs		(1,953,937)	(1,486,619)
Restructuring costs	7	(177,800)	(1,047,267)
Operating loss		(4,557,917)	(4,792,300)
Investment revenue	5,11	92,885	144,795
Finance costs	12	(1)	(121)
Loss before tax		(4,465,033)	(4,647,626)
Tax	13	465,707	360,000
Loss for the year	8	(3,999,326)	(4,287,626)
Loss per share (pence)			
Basic	14	(1.7)	(4.0)
Diluted	14	(1.7)	(4.0)

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

	2008 £	2007 £
Exchange differences on translation of foreign operations	(373,948)	31,876
Net income recognised directly in equity	(373,948)	31,876
Loss for the year	(3,999,326)	(4,287,626)
Total recognised income and expense for the period attributable to equity holders of the parent	(4,373,274)	(4,255,750)

Company Statement of Recognised Income and Expense

For the year ended 31 December 2008

	2008 £	2007 £
Exchange differences on translation of foreign operations	–	–
Net income recognised directly in equity	–	–
(Loss)/Profit for the year	(15,770,828)	146,592
Total recognised income and expense for the period attributable to equity holders of the parent	(15,770,828)	146,592

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 £	2007 £
Non-current assets			
Intangible assets	15	–	28,792
Property, plant and equipment	16	99,769	96,680
		99,769	125,472
Current assets			
Inventories	18	847,351	180,240
Trade and other receivables	19	617,636	503,225
Cash and cash equivalents	19	1,356,886	4,079,534
		2,821,873	4,762,999
Total assets		2,921,642	4,888,471
Current liabilities			
Trade and other payables	22	274,695	704,223
		274,695	704,223
Non-current liabilities		–	–
Total liabilities		274,695	704,223
Net assets		2,646,947	4,184,248
EQUITY			
Share capital	23	954,259	279,252
Share premium account	24	16,391,994	13,600,291
Own shares held	25	(690,191)	–
Share option reserve	26	268,852	209,398
Translation reserve	28	(373,948)	–
Retained earnings	27	(13,904,019)	(9,904,693)
Total equity being equity attributable to equity holders of the parent		2,646,947	4,184,248

The financial statements were approved by the board of directors and authorised for issue on 22 April 2009. They were signed on its behalf by:

Kenn Lamb
Director

Company Balance Sheet

At 31 December 2008

	Notes	2008 £	2007 £
Non-current assets			
Intangible assets	15	–	28,792
Investments in subsidiaries	17	270,852	211,398
		270,852	240,190
Current assets			
Loans to other Group entities	33	–	10,139,824
Trade and other receivables	19	721,160	49,895
Cash and cash equivalents	19	1,262,762	4,046,371
		1,983,922	14,236,090
Total assets		2,254,774	14,476,280
Current liabilities			
Trade and other payables	22	53,733	30,576
Loans from other Group entities		2,000	2,000
Total liabilities		55,733	32,576
Net assets		2,199,041	14,443,704
EQUITY			
Share capital	23	954,259	279,252
Share premium account	24	16,391,994	13,600,291
Share option reserve	26	268,852	209,398
Retained earnings	27	(15,416,064)	354,763
Total equity		2,199,041	14,443,704

The financial statements were approved by the board of directors and authorised for issue on 22 April 2009. They were signed on its behalf by:

Kenn Lamb
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 £	2007 £
Net cash outflow from operating activities	29	(5,609,327)	(3,927,362)
Investing activities			
Interest received		92,885	144,795
Purchases of property, plant and equipment		(30,008)	(73,426)
Net cash from investing activities		62,877	71,369
Financing activities			
Interest paid		(1)	(121)
Proceeds on issue of shares		2,776,519	5,081,843
Net cash from financing activities		2,776,518	5,081,722
Net (decrease)/increase in cash and cash equivalents		(2,769,932)	1,225,729
Cash and cash equivalents at beginning of year		4,079,534	2,820,801
Effect of foreign exchange rate changes		47,284	33,004
Cash and cash equivalents at end of year		1,356,886	4,079,534

Company Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 £	2007 £
(Loss)/Profit for the year		(15,770,828)	146,592
Adjustment for amortisation of intangible assets		28,793	28,794
Operating cash flows before movement in working capital		(15,742,035)	175,386
Decrease in receivables		9,468,559	(3,921,252)
Decrease/(increase) in payables		23,157	(16,246)
Net cash used in operating activities		(6,250,319)	(3,762,112)
Financing activities			
Proceeds on issue of shares		3,466,710	5,081,843
Net cash from financing activities		3,466,710	5,081,843
Net (decrease)/increase in cash and cash equivalents		(2,783,609)	1,319,731
Cash and cash equivalents at beginning of year		4,046,371	2,726,640
Cash and cash equivalents at end of year		1,262,762	4,046,371

Notes to the Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION

Cyan Holdings plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Cyan Holdings plc, Buckingway Business Park, Swavesey CB24 4UQ. The nature of the group's operations and its principal activities are set out in the Director's Report on page 5.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. ADOPTION OF NEW AND REVISED STANDARDS

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not yet been applied in these financial statements were in issue but not yet effective (and in some cases, had not yet been adopted by the EU):

IFRS 1 (amended)/ IAS 27 (amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (amended)	Share-based payment – Vesting Conditions and Cancellations
IFRS 3 (revised 2008)	Business Combinations
IFRS 7 (amended)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IAS 1 (revised 2007)	Presentation of Financial Statements
IAS 23 (revised 2007)	Borrowing Costs
IAS 27 (revised 2008)	Consolidated and Separate Financial Statements
IAS 29 (amended)	Eligible Hedged Items
IAS 32 (amended)/ IAS 1 (amended)	Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 39 (amended)/ IAS 7 (amended)	Reclassification of Financial Assets – Effective Date and Transaction
IFRIC 9(amended)/ IAS 39 (amended)	Embedded Derivatives
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of non-cash assets to owners
IFRIC 18	Transfers of assets from customers

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Group

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Going concern

The directors have prepared a business plan and cash flow forecast for the period to 30 April 2010. The forecast contains certain assumptions about the level of future sales and the level of gross margins and also identified the imminent need for additional finance to fund working capital. On this basis, the directors have assumed that the company is a going concern. The directors are of the opinion that this business plan is achievable and it is their expectation that it will be achieved.

The directors acknowledge that the Group is trading in a difficult economic environment and in markets that are new to the Group. This may impact both the Group's ability to generate positive cash and to raise new finance. There is a risk that the level of sales achieved is materially lower than the level forecast. The directors have taken steps to satisfy themselves about the robustness of sales forecasts. In addition, the directors have been in communication with a number of potential investors, including current shareholders, who have expressed interest in providing the necessary funding. There does remain a significant risk that the required level of funding will not be received in the necessary timescale.

Notes to the Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

There is a material uncertainty related to the assumptions described above which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. In the event the Group ceased to be a going concern, the adjustments would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when the risks and rewards of ownership are transferred.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group currently only holds operating leases. Rentals payable under the operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating loss

Operating loss is stated after charging restructuring and non-recurring costs but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. These were the only payments made by the Group in the year under review.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures and equipment	20% – 50%

There are no assets held under finance leases.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation of software is charged to write-off the cost of the assets over their useful economic lives, considered to be five years, on a straight-line basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

In the event that an internally generated intangible asset arising from the Group's development activities then it will be recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their usefully lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group has only two classes of financial assets being cash and cash equivalents and loans and receivables.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. All the group's loans and receivables are short-term receivables and no interest is accounted for on these balances.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 15 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

All the Group's financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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

Notes to the Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Company

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out for the Group consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The loss for the year dealt with in the financial statements of the company was £15,770,828 (2007 profit of: £146,592). As permitted by section 230 of the Companies Act 1985, no separate income statement is presented in respect of the parent company.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

- Inventories include stocks of raw materials and finished goods that the directors believe will be sold within the period to April 2010 covered by the Group's business plan. The directors have assumed that the carrying value is recoverable as a result of the sales and gross margins forecast in that plan. Stocks of product that are not included within the sale forecasts have been provided against in full.

- The directors have prepared the financial statements on the basis that the Company is a going concern. Further information on this critical judgement is included in note 3 and within the Directors' Report.

5. REVENUE

An analysis of the Group's revenue is as follows:

	Year ended 2008 £	Year ended 2007 £
Continuing operations		
Sale of goods	145,627	32,596
Investment income	92,885	144,795
Total revenue	238,512	177,391

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group comprises only one business and one geographical segment as defined by IAS 14. Accordingly no segmental analysis is presented.

Notes to the Financial Statements

For the year ended 31 December 2008

7. RESTRUCTURING COSTS

During the latter half of 2007 the Group undertook a radical restructuring of its senior management and product portfolio. Costs of £177,800 relating to that restructuring only came through in early 2008. In addition the Group implemented a cost cutting exercise which resulted in a number of redundancies at the end of 2008, the costs of which are included in the relevant functional areas on the income statement. Total restructuring costs in 2008 were as follows:

Restructuring

	2008 £	2007 £
Impairment loss recognised in respect of assets	–	147,090
Compensation for loss of office	–	350,619
Cost of senior management time in respect of restructuring	–	104,000
Costs to commercialise product range	177,800	287,778
	177,800	889,487
Non-recurring costs		
Write off of bad debt	–	157,780
	177,800	1,047,267

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2008 £	2007 (restated) £
Net foreign exchange (gains)/ losses	(384,578)	54,560
Research and development costs	1,953,937	1,486,619
Depreciation of property, plant and equipment	67,100	54,282
Amortisation of intangible assets	28,793	28,794
Inventories recognised as an expense	82,353	26,934
Impairment of inventories	141,543	147,090
Staff costs (see note 10)	2,644,560	2,348,159
Impairment loss recognised on trade receivables	115	157,780

The 2007 research and development charge has been restated to reflect a modification in the activities considered to be research and development. The adjustment does not impact on the loss for the year for 2007.

9. AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

	2008 £	2007 £
Fees payable to the Company's auditors for the audit of the Company's annual accounts	15,000	14,200
Fees payable to the Company's auditors and their associates for the other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	10,000	10,000
Total audit fees	25,000	24,200
– Tax services	7,500	5,500
– Other services pursuant to legislation	38,375	9,000
Total non-audit fees	45,875	14,500

Notes to the Financial Statements

For the year ended 31 December 2008

10. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	2008 Number	2007 Number
Sales and administration	28	21
Research and development	22	21
Operations and logistics	3	–
	53	42

	2008 £	2007 £
Their aggregate remuneration comprised:		
Wages and salaries	2,195,090	2,006,271
Social security costs	358,687	272,493
Other pension costs	90,783	69,395
	2,644,560	2,348,159

Details of directors' remuneration are included in the Remuneration Committee Report within this Annual Report.

11. INVESTMENT REVENUE

	2008 £	2007 £
Interest revenue:		
Bank deposits	92,885	144,795

Investment revenue is all earned on cash and cash equivalents.

12. FINANCE COSTS

	2008 £	2007 £
Interest on bank overdrafts and loans	1	121

13. TAX

	2008 £	2007 £
Current tax:		
UK corporation tax on profits of the period	(447,694)	(360,000)
Adjustment in respect of previous periods	(18,013)	–
	(465,707)	(360,000)

The tax charge for the period differs from the standard rate of corporation tax in the UK of 20.75% (2007: 20 per cent).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements

For the year ended 31 December 2008

13. TAX (continued)

The credit for the year can be reconciled to the loss per the income statement as follows:

	2008 £	2007 £
Loss before tax	(4,465,033)	(4,647,626)
At standard rate of 20.75% (2007: 20%)	(926,494)	(929,525)
Effects of:		
Tax effect of non deductible expenses	7,197	4,205
Net Tax effect of research and development	(63,850)	(61,323)
Tax effect of other unrecognised temporary differences	5,681	14,410
Tax effect of share option treatments	–	(2,806)
Tax effect of unrecognised losses	529,772	615,039
Prior year adjustment	(18,013)	–
Actual current tax credit in the year	(465,707)	(360,000)

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2008 £	2007 £
Earnings for the purposes of basic earnings per share being net loss attributable to equity holders of the parent	3,999,326	4,287,626

Number of shares

	2008 No.	2007 No.
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	239,626,314	107,962,482

15. INTANGIBLE ASSETS

No intangible assets are held at valuation in these accounts.

	SOFTWARE	
	GROUP £	COMPANY £
COST		
At 1 January 2007, 1 January 2008 and 31 December 2008	143,964	143,964
AMORTISATION		
At 1 January 2007	86,378	86,378
Charge for the year	28,794	28,794
At 1 January 2008	115,172	115,172
Charge for the year	28,793	28,793
At 31 December 2008	143,964	143,964
CARRYING AMOUNT		
At 31 December 2008	–	–
At 31 December 2007	28,792	28,792

Notes to the Financial Statements

For the year ended 31 December 2008

16. PROPERTY, PLANT AND EQUIPMENT

No assets are held at valuation in these accounts.

Group

	Fixtures and equipment £
COST	
At 1 January 2007	168,978
Additions	73,426
Exchange differences	(2,060)
At January 2008	240,344
Additions	30,008
Exchanges differences	52,195
At 31 December 2008	322,547
ACCUMULATED DEPRECIATION	
At 1 January 2007	90,315
Charge for the year	54,282
Exchange differences	(933)
At 1 January 2008	143,664
Charge for the year	67,100
Exchange differences	12,014
At 31 December 2008	222,778
CARRYING AMOUNT	
At 31 December 2008	99,769
At 31 December 2007	96,680

At 31 December 2008 the group had no contractual commitments outstanding for the acquisition of property, plant and equipment (31 December 2007: £nil).

17. SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 33.

18. INVENTORIES

Group

	2008 £	2007 £
Raw materials	723,180	–
Finished goods	124,171	180,240
	847,351	180,240

As explained in the Enhanced Business Review an impairment charge has been made to reduce the value of inventories to the board's estimate of net realisable value. The Company holds no inventories.

Notes to the Financial Statements

For the year ended 31 December 2008

19. OTHER FINANCIAL ASSETS

Both the Company and the Group have a single category of financial asset being loans and receivables. The Group's loans and receivables, which include cash and cash equivalents as well as trade receivables total £1,441,620 (2007: £4,080,835). Those of the Company include loans and cash and cash equivalents and total £11,402,586 (2007: £12,866,464).

Trade and other receivables and payments

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Amount receivable for the sale of goods	84,734	1,301	–	–
Other debtors	478,310	426,780	4,155	16,397
EBT Loan	–	–	690,191	–
Prepayments	54,592	75,144	26,814	33,498
	617,636	503,225	721,160	49,895

During the year an amount of £115 was written off the value of the carrying amount of trade and other receivables (2007: £157,780).

The directors consider that the carrying amount of trade and other receivables at 31 December 2008 approximates to their fair value.

Amounts receivable from the Group undertakings are shown in note 33.

Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Cash and cash equivalents	1,356,886	4,079,534	1,262,762	4,046,371

Cash and cash equivalents comprise cash held by the Group and Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

20. FINANCIAL RISK MANAGEMENT

The Group's financial function provides services to the business, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk), credit risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for any purpose.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates as it undertakes certain transactions denominated in foreign currencies. This is managed through careful control of the Group's foreign currency balances. There has been no change to the Group's exposure to market risks or to the manner in which it measures and manages the risk. The Group and Company had no material foreign exchange exposures at 31 December 2008 or 31 December 2007 and consequently no sensitivity analysis is presented.

As a result of its activities in Asia, the Group and Company are mainly exposed to fluctuations in the Hong Kong Dollar (HKD).

The sensitivity analyses below have been determined based on the exposure to exchange rates for non-derivative instruments at the balance sheet date. A 25% increase or decrease is used when reporting exchange rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates when considered against the background of exchange rate movement for the HKD during 2008.

With a 25% weakening of GBP sterling against the HKD and with all other variables constant, the Group's equity would decrease by £234,902. There would be no impact on the loss for the year.

The impact of a 25% strengthening of GBP sterling against the HKD would be equal and opposite to the impact described above.

The Company is not exposed to material foreign exchange exposures arising from reasonably probable exchange rate movements.

No comparatives have been included for these numbers as the exchange rate risk at 31 December 2007 was considered to be immaterial.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, the credit risk on other classes of financial asset is insignificant. The amounts presented in the balance sheet are net allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Notes to the Financial Statements

For the year ended 31 December 2008

20. FINANCIAL RISK MANAGEMENT (continued)

The credit risk on liquid funds and derivative financial instruments is no longer limited after the collapse of many banks in the worldwide economy. It will become increasingly important to only deal with reputable banks and try as far as possible to ensure the security of funds invested in treasury.

At 31 December 2008 the Group had no significant concentration of credit risk, with exposure being both small in quantum and spread over a large number of counterparties and customers.

Included in the Group's trade receivables balance are debtors with a carrying amount of £50,434 (2007: £115) which are past due at reporting date and not impaired. £41,414 is 0-90 days overdue (2007: £nil) and £9,020 is over 90 days overdue (2007: £115); the remaining balance is not yet due. There was no allowance for doubtful debts at 31 December 2008 (2007: £nil). The bad debt charge for the year was £115 (2007: £157,780). The Company has made a provision against the full amount of the debt owed to it by its subsidiary companies totalling £16,304,192 (2007: £10,139,824 with no provision). These amounts are not overdue. Since the Group holds no collateral, the maximum exposure to credit risk is the carrying value of trade receivables.

Liquidity risk

Liquidity risk is discussed within note 22.

21. DEFERRED TAX

No deferred tax liabilities and assets have been recognised by the Group in the current or prior reporting period. At the balance sheet date an unrecognised deferred tax asset relating to tax losses and accelerated capital allowances of £1.4m (2007: £1.4m) existed. No deferred tax asset has been recognised due to the unpredictability and uncertainty of future profit streams.

22. OTHER FINANCIAL LIABILITIES

Both the Group and the Company have only one category of financial liability being trade payables held at amortised cost. Those of the Group totalled £115,728 (2007: £414,281) and those of the Company totalled £36,837 (2007: £14,077).

Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade payables and accruals	274,695	704,223	53,733	30,576

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs all of which are payable within a year. The average credit period taken for trade purchases is 25 days (2007: 32 days). The Group has no incurred interest charges for late payment of invoices during the year (2007: £nil). The Group has financial risk management policies in place to ensure that all payables are paid within agreed credit timeframes. The Group manages its liquidity risk primarily through monitoring forecast and actual cash flows. The Group maintains relationships with its existing shareholders in order to assist in the raising of additional equity funding when required; in addition, the Group is constantly exploring opportunities to finance its working capital through alternative means such as debt factoring and obtaining letters of credit from its customers. The business plan, described in note 3 contains significant liquidity risks that the Group is actively seeking to manage.

The directors consider that the carrying amount of trade payables approximates to their fair value.

All of the Group's and the Company's trade payables are due within 3 months. The Group's operating lease commitments are shown within note 30.

Notes to the Financial Statements

For the year ended 31 December 2008

23. SHARE CAPITAL

	2008 number	2007 number
Authorised:		
Ordinary shares of 0.2 pence each	600,000,000	200,000,000

	2008 £	2007 £
Issued and fully paid:		
477,129,314 (2007: 139,626,314) ordinary shares of 0.2 pence each	954,259	279,252

On 3 September 2008 the company completed a placing as a result of which 300,000,000 ordinary shares of 0.2 pence each were issued at a price of 1 pence per share to raise £2,774,681 after expenses. The funds were raised to develop and execute on the group's new strategy. No shares (2007: 1,291,500) were issued as a result of the exercise of share options.

On 9 April 2008, 3 Directors of the Company were awarded interests in 10,200,000 shares under the Cyan Joint Ownership Scheme.

On 18 December 2008, 2 Directors and 6 Senior Staff of the Company were awarded interests in 27,303,000 shares under the Cyan Joint Ownership Scheme.

The Company has one class of ordinary shares which carry no right to fixed income.

In August 2008, 25,000,000 warrants were issued to Cenkos, the Company's broker the exercise price of which is £0.01 per share.

At 5pm on 31 December 2008 the 43,595 outstanding C warrants to buy shares at 20 pence per share lapsed.

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. 400,000 of these were exercised during 2007, leaving 2,000,000 outstanding at the end of 2008.

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.

24. SHARE PREMIUM ACCOUNT

	Group £	Company £
Balance at 1 January 2007	8,627,630	8,627,630
Premium arising on issue of equity shares	5,315,767	5,315,767
Expenses of issue of equity shares	(343,106)	(343,106)
Balance at 31 December 2007	13,600,291	13,600,291
Premium arising on issue of equity shares	3,017,023	3,017,023
Expenses of issue of equity shares	(225,320)	(225,320)
Balance at 31 December 2008	16,391,994	16,391,994

25. OWN SHARES HELD

	Group £
Balance at 1 January 2007	–
Movement in the year	–
Balance at 31 December 2007	–
Movement in the year	(690,191)
Balance at 31 December 2008	(690,191)

Notes to the Financial Statements

For the year ended 31 December 2008

26. SHARE OPTION RESERVES

	Group £	Company £
Balance at 1 January 2007	187,495	187,495
Movement in the year	21,903	21,903
Balance at 31 December 2007	209,398	209,398
Movement in the year	59,454	59,454
Balance at 31 December 2008	268,852	268,852

27. RETAINED EARNINGS

	Group £	Company £
Balance at 1 January 2007	(5,648,943)	208,171
Net (loss)/profit for the year	(4,255,750)	146,592
Balance at 1 January 2008	(9,904,693)	354,763
Net (loss)/profit for the year	(3,999,326)	(15,770,828
Balance at 31 December 2008	(13,904,019)	(15,416,065)

28. TRANSLATION RESERVE

	Group £
Balance at 1 January 2007 and 1 January 2008	–
Exchange differences on translation of foreign operations	(373,948)
At 31 December 2008	(373,948)

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2008 £	2007 £
Operating loss for the year	(4,557,917)	(4,792,300)
Adjustments for:		
Depreciation of property, plant and equipment	67,100	54,282
Amortisation of intangible assets	28,793	28,794
Share-based payment expense	59,454	21,903
Operating cash flows before movements in working capital	(4,402,570)	(4,687,321)
Increase in inventories	(667,111)	(72,318)
Decrease/(increase) in receivables	(114,411)	17,716
Increase/(decrease) in payables	(429,528)	454,561
Cash reduced by operations	(5,613,620)	(4,287,362)
Income taxes paid	4,293	360,000
Interest paid	–	–
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(5,609,327)	(3,927,362)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with maturity of three months or less.

Notes to the Financial Statements

For the year ended 31 December 2008

30. OPERATING LEASE ARRANGEMENTS

The Group as a lessee

	2008 £	2007 £
Minimum lease payments under operating leases recognised as an expense in the year	88,423	64,917

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £	2007 £
Within one year	85,517	69,582
In the second to fifth years inclusive	276,823	20,970

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years with an option to extend for a further 5 years at the then prevailing market rate.

In Hong Kong leases are negotiated for an average term of 2 years and renegotiated at the end of the term.

The Company has no operating lease arrangements.

31. CONTINGENT LIABILITIES

Neither the Group nor the Company are aware of any contingent liabilities outstanding as at the date of this report.

32. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of all the Company's shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows.

	2008		2007	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	4,830,000	0.136	3,546,500	0.245
Granted during the period	14,118,600	0.031	2,470,000	0.136
Forfeited during the period	(5,329,800)	0.031	(295,000)	0.136
Exercised during the period	–		(891,500)	0.136
Expired during the period	–	–	–	–
Outstanding at the end of the period	13,618,800	0.031	4,830,000	0.136
Exercisable at the end of the period	–		1,355,000	0.136

The options outstanding at 31 December 2008 had a weighted average exercise price of £0.0095, and a weighted average remaining contractual life of 32 months. In 2008, options were granted on 20 March, 9 April, 23 May and 15 October, however the options granted on 15 October replaced all previous options. The aggregate of the estimated fair values of the options granted on 15 October is £9,271. In 2007, options were granted on 29 August, 31 August, 3 December and 31 December. The aggregate of the estimated fair values of the options on those dates is £69,505.

Notes to the Financial Statements

For the year ended 31 December 2008

32. SHARE-BASED PAYMENTS (continued)

The inputs into the Black-Scholes model are as follows:

	2008	2007
Weighted average share price	3.13p	13.40p
Weighted average exercise price	3.13p	13.40p
Expected volatility	90%	36%
Expected life	3 years	3 years
Risk free rate	8.60%	5.44%
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 12 months. 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 Group recognised total expenses of £59,454 and £21,903 related to equity-settled share-based payment transactions in 2008 and 2007 respectively.

Employee Benefit Trust

During the year, the Group established an Employee Benefit Trust to incentivise directors and other senior management of the Group. At 31 December 2008, 37,503,000 shares had been awarded under this scheme and details of awards to directors are included in the Remuneration Committee Report. The directors and senior management in receipt of the share awards participate in benefit once the share price exceeds 2.5 pence per share. A charge of £10,399 has been recognised in the income statement for the year in respect of the share awards.

33. RELATED PARTY TRANSACTIONS

Group

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation. The ultimate holding company of the Group is Cyan Holdings plc. The members of the Group, all of which are 100% owned are as follows:

Cyan Technology Limited

- 100% of the issued capital of the company is held by Cyan Holdings plc.
- The company is incorporated in England and has an accounting period co terminus with that of the group.
- The principal activity of the company is to provide a vehicle to market and sell the group's range of microcontrollers
- The company's results are consolidated into these accounts

Cyan Asia Limited

- 100% of the issued capital of the company is held by Cyan Holdings plc.
- The company is incorporated in Hong Kong and has an accounting period co terminus with that of the group.
- The principal activity of the company is to provide a sales and marketing service for the group's range of microcontrollers in Asia.
- The company's results are consolidated into these accounts

Cytech Cores Limited

- 100% of the issued capital of the company is held by Cyan Holdings plc.
- The company is incorporated in England and has an accounting period co terminus with that of the group.
- The company is dormant.
- The company's results are consolidated into these accounts

Company

Transactions between the company and its subsidiaries and associates are disclosed below.

	2008	2007
Loan to related parties		
Cyan Technology Limited	14,512,059	9,428,848
Cyan Asia Limited	1,792,133	710,976
	16,304,192	10,139,824

The balances due to Cyan Holdings plc do not carry an interest charge. Cyan Holdings plc makes a management charge for services rendered to Cyan Technology Limited. In the year to 31 December 2008 these amounted to £399,681 (2007: £295,199).

The Company has provided in full against the loans owed to it by its subsidiary companies.

Notice of AGM

CYAN HOLDINGS PLC

NOTICE IS HEREBY GIVEN that the 2009 Annual General Meeting of Cyan Holdings plc (the "**Company**") will be held at the offices of Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ at 11 a.m. on 27 May 2009 for the following purposes:

Ordinary Business

1. To receive and adopt the accounts of the Company for the financial year ended 31 December 2008 together with the directors' report and the auditors' report on those accounts.

2. To re-elect Dr John Read as a director of the Company.

3. To re-appoint Deloitte 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 4 as an ordinary resolution and as to Resolution 5 as a special resolution:

4. 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 £232,682.73 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.

5. 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 4 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:

5.1 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

5.2 the allotment (otherwise than pursuant to sub-paragraph 5.1 above) of equity securities up to an aggregate nominal value not exceeding £48,365.86.

By order of the board
Capita Company Secretarial Services Ltd
22 April 2009

Registered office:
Buckingway Business Park
Swavesey
Cambridge
CB24 4UQ

Notice of AGM

Notes:

1. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and to vote instead of him. A proxy need not be a member of the Company but must attend the General Meeting. If a member wishes his proxy to speak on his behalf at the General Meeting he will need to appoint his own choice of proxy (not the Chairman) and give his instructions directly to them. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting".
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 4TU 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 6.00 p.m. on 25 May 2009, 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 6.00 p.m. on 27 May 2009, 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. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:
   (a) If a corporate member has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting then those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

   (b) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote and the other corporate representatives will give voting directions to that designated corporate representative.

   Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (http://www.icsa.org.uk/) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.

New articles were adopted in 2008. These should be included on the Cyan website, which currently has the old articles (in the 'About Cyan' section of the Investor section).

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 27 May 2009 at 11.00 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 2008		
2 To re-elect John Read as a director		
3 To re-appoint Deloitte LLP as auditors to the Company		
4 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		
5 To disapply section 89(1) of the Companies Act 1985 in the manner contained in the notice of Annual General Meeting		

Dated 2009

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 Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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 6.00 p.m. on 25 May 2009. 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.
7. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting". When two or more valid but differing proxies are delivered in respect of the same share for use at the meeting, the one which is last validly delivered (regardless of its date, its date of sending or the date of its execution) shall be treated as replacing and revoking the other(s) as regards that share and, if the Company is unable to determine which of any such two or more valid but differing appointments of proxy was so delivered in time, none of them shall be treated as valid in respect of that share. If a member submits more than one valid proxy appointment the appointment received last before the latest time for the receipt of proxies will take precedence.

First Fold

Third Fold (Tuck-in)

BUSINESS REPLY SERVICE
License No. MB122

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Second Fold

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