Cyan Holdings Plc
("Cyan" or "the Group")

Half year report
for the six months ended 30 June 2009

Cyan Holdings plc (AIM:CYAN.L), a fabless semiconductor company providing configurable application software and production ready modules based on feature rich, low power, microcontroller chips announces its half year results for the six months ended 30 June 2009.

Summary

- Partnerships in place with Micrel Inc, a global manufacturer of integrated circuits, and Future Electronics Inc, a global electronics distributor operating in 41 countries giving Cyan access to major distribution networks into the global smart metering market.
- Good progress with a range of field trials underway and completed with metering manufacturers.
- Raised £1.2 million, net of expenses, in a placing to provide additional working capital.
- Tight management of costs.

Kenn Lamb, CEO of Cyan, commented:

"Cyan has now entered a phase where it has delivered what its potential customers have asked for in terms of cost and performance. We have been pleased that these customers have either confirmed, or are well into the process of confirming, that Cyan's products meet their requirements. The prospects for 2010 are exciting particularly given the number of prospective companies where Cyan is currently actively engaged in product evaluation."

Enquiries:

Cyan Holdings plc	www.cyantechnology.com
Kenn Lamb, CEO	Tel: +44 (0) 1954 234 400
Cenkos Securities plc	
Stephen Keys / Adrian Hargrave	Tel: +44 (0) 20 7397 8900
Media - Hansard Group	
John Bick / Vikki Krause	Tel: +44(0) 20 7245 1100

Interim Statement

At our AGM on 27 May I reported that Cyan had 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.

I am delighted to report that Cyan now has partnerships in place, including Future Electronics and Micrel Inc. that provide a global network offering access to worldwide markets through major established players. Cyan has already secured working relationships with established suppliers of meters and street lamps and has actively engaged in multiple field trials across a range of applications. In addition, Cyan has in place contract manufacturing partners capable of supporting a rapid increase in orders and shipments of our solutions.

One such trial has led to a performance breakthrough that has had profound impact on the competitiveness of Cyan’s wireless metering solutions. Cyan had been asked to develop a battery operated mesh networking gas meter that uses conventional AA batteries rather than the very expensive Lithium batteries that until now have had to be fitted and replaced by the meter manufacturer. Replacing a Lithium battery requires a visit to the residential property by an engineer. Frequency of such visits could be minimised by increasing the size (and cost) of the Lithium battery, but use of AA batteries fitted by the resident would eliminate the requirement entirely, substantially reducing the cost of the meter and the need and cost of engineer visits. Cyan was given a requirement for 12 months operation on AA batteries, and we delivered over 100 of our existing meters for a test at the meter manufacturers premises in June. Through a series of design modifications implemented in July and August the battery life has been increased to 60 months with Western alkaline batteries which comfortably exceeds the 12-month target even using the lower performance and lower cost batteries available in China.

As a result of this latest innovation from our technical team we believe that we now have the lowest power, wireless mesh networking, metering solution currently available anywhere in the World. Low power operation is a common requirement globally and the combination of lowest power, lowest cost and robust wireless networking makes this a very competitive product.

In September Cyan demonstrated the first 470MHz version of this meter, based on a new product from Micrel that completes coverage of all global metering bands. This frequency has been specified as a future requirement for all meters in China. Cyan now has a 470MHz product to address electricity metering opportunities in China as well as gas and water meter opportunities in all Chinese provinces. The availability of 470MHz versions approximately doubles the size of the (already substantial) Chinese gas meter market for Cyan products, and then more than doubles this again by providing access to the Chinese Electricity meter market.

In the intervening months since the AGM the breadth and range of customer engagements has increased significantly. Some field trials have been successfully completed and we are awaiting the first production orders, others have delayed start dates, arising from issues unrelated to Cyan products. Some customers have simply purchased Cyan products and are undertaking their own trials without our support, and in one case detailed above; the customer requirements were successfully exceeded during the trial.

We are confident that Cyan has very competitive pricing across its product range and the technical performance continues to drive demand for field trials across a number of large scale applications. Field trials require significant commitment and expenditure by customers; our view is that the majority of such trials are for performance confirmation and not for vendor selection.

Following the period end on 27 July the Company announced its agreement with Future Electronics, one of the three largest electronics distributors in the world, with 169 offices in 41 countries. The agreement provides Cyan with access to a leading distributor with customer support and fulfilment organisation that has a global presence and the ability to secure business that would not otherwise be available to Cyan. Through this agreement, Cyan can supply its range of wireless metering and lighting control products available to the global market.

Financials

For the six months ended 30 June 2009 turnover was £42,575 (2008:£52,750). The loss for the period was substantially reduced to £1,612,050 (2008:£2,263,788), primarily due to the restructuring of the business that was undertaken last year, creating cost efficiencies in addition to a significant reduction in research and development costs. Cash balances at the period end was £1,504,783 (2008: £1,418,143).

In order to fund the growth of the business and its resulting additional working capital requirements the Company on 27 May 2009 announced that it had secured a further round of finance, successfully raising £1.2 million (net of expenses) as a result of a placing of shares with [existing] shareholders and the Board would like to take this opportunity to thank shareholders for their continuing support.

Outlook

Cyan has now entered a phase where it has delivered what its potential customers have asked for in terms of cost and performance. We have been pleased that these customers have either confirmed, or are well into the process of confirming, that Cyan's products meet their requirements. Every month more customers start this process and we believe that we will start to see the fruits of our endeavours with evidence of firm volume orders although the exact timing of such remains difficult to predict.

As I reported previously, the rate at which customers can fund the purchase and deployment of our products now determines how soon Cyan will achieve profitability. We must recognise that in the current economic climate not even our customers can predict timing with any certainty.

The prospects for 2010 are exciting particularly given the number of prospective companies where Cyan is currently actively engaged in product evaluation and since the Company's AGM statement made in May the number of such prospects has increased and none have been lost.

Kenn Lamb
Chief Executive Officer
28 September 2009

Consolidated Income Statement
Six months ended 30 June 2009

	Notes	Unaudited six months ended 30 June 2009	Unaudited six months ended 30 June 2008	Year ended 31 December 2008
		£	£	£
Continuing operations				
Revenue		42,575	52,750	145,627
Cost of sales		(27,313)	(30,217)	(86,321)
Gross Profit		15,262	22,533	59,306
Operating costs		(1,243,185)	(1,440,152)	(2,485,486)
Research and development costs		(528,289)	(933,057)	(1,953,937)
Restructuring costs		-	(177,800)	(177,800)
		(1,771,474)	(2,551,009)	(4,617,223)
Operating loss		(1,756,212)	(2,528,476)	(4,557,917)
Investment revenue		1,085	139,239	92,885
Finance costs		(11)	(51,340)	(1)
Loss before tax		(1,755,138)	(2,440,577)	(4,465,033)
Tax		143,088	176,789	465,707
Loss for the period		(1,612,050)	(2,263,788)	(3,999,326)
Loss per share (pence)				
Basic and diluted	2	(0.3)	(1.6)	(1.7)

Consolidated Balance Sheet

At 30 June 2009

	Unaudited 30 June 2009	Unaudited 30 June 2008	31 December 2008
	£	£	£
Non-current assets			
Intangible assets	-	14,396	-
Property, plant and equipment	48,680	109,103	99,769
	48,680	123,499	99,769
Current Assets			
Inventories	902,658	916,274	847,351
Trade and other receivables	242,840	318,195	617,636
Cash and cash equivalents	1,504,783	1,418,143	1,356,886
	2,650,281	2,652,612	2,821,873
Total assets	2,698,961	2,776,111	2,921,642
Current liabilities			
Trade and other payables	331,937	859,298	274,695
	331,937	859,298	274,695
Non-current liabilities	-	-	-
Total liabilities	331,937	859,298	274,695
Net assets	2,367,024	1,916,813	2,646,947
Equity			
Share capital	1,118,259	299,653	954,259
Share premium account	17,353,068	14,102,640	16,391,994
Own shares held	(690,191)	(522,750)	(690,191)
Share option reserve	316,537	235,587	268,852
Translation reserve	(214,580)	-	(373,948)
Retained loss	(15,516,069)	(12,198,317)	(13,904,019)
Total equity being attributable to equity holders of the parent	2,367,024	1,916,813	2,646,947

Consolidated Statement of Recognised Income and Expense

Six months ended 30 June 2009

	Unaudited six months ended 30 June 2009	Unaudited six months ended 30 June 2008	Year ended 31 December 2008
	£	£	£
Exchange differences on translation of foreign operations	159,368	(29,386)	(373,948)
Net income (expense) recognised directly in equity	159,368	(29,386)	(373,948)
Loss for period	(1,612,050)	(2,263,788)	(3,999,326)
Total recognised income and expense for the period attributable to equity holders of the parent	(1,452,682)	(2,293,174)	(4,373,274)

Consolidated Cash Flow Statement

Six months ended 30 June 2009

	Notes	Unaudited six months ended 30 June 2009	Unaudited six months ended 30 June 2008	Year ended 31 December 2008
		£	£	£
Net cash outflow from operating activities	3	(1,287,671)	(2,676,313)	(5,609,327)
Investing activities	4	(1,200)	44,758	62,877
Financing activities	4	1,125,062	-	2,776,518
Net (decrease)/increase in cash and cash equivalents		(163,809)	(2,631,555)	(2,769,932)
Cash and cash equivalents at beginning of period		1,356,886	4,079,534	4,079,534
Effect of foreign exchange rate changes		311,706	(29,836)	47,284
Cash and cash equivalents at end of period		1,504,783	1,418,143	1,356,886

Notes to Accounts

Six months ended 30 June 2009

1. Basis of preparation

The interim financial information has been prepared in accordance with the IFRS accounting policies used in the statutory financial statements for the year ended 31 December 2008.

These interim financial statements do not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. Results for the six month periods ending 30 June 2009 and 30 June 2008 have not been audited. The results for the year ended 31 December 2008 have been extracted from the statutory financial statements of Cyan Holdings plc.

Statutory financial statements for the year ended 31 December 2008 are available on the Company's website www.cyantechnology.com and have been filed with the Registrar of Companies. The Company's auditors issued a report on those financial statements that was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006; however the auditor's report was modified to emphasise the uncertainty around the company's ability to continue as a going concern.

2. Loss per share

Basic and diluted loss per ordinary share has been calculated by dividing the loss after taxation for the periods as shown in the table below.

	Unaudited six months ended 30 June 2009	Unaudited six months ended 30 June 2008	Year ended 31 December 2008
	£	£	£
Losses (£)	1,612,050	2,263,788	3,999,326
Weighted average number of shares	597,095,436	139,626,315	239,626,314

IAS33 "Earnings per share" requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out of the money options. Since it seems inappropriate to assume that option holders would act irrationally and there are no other diluting future share issues, diluted EPS equals basic EPS.

3. Reconciliation of operating loss to operating cash flows

	Unaudited six months ended 30 June 2009	Unaudited six months ended 30 June 2008	Year ended 31 December 2008
	£	£	£
Operating loss	(1,756,212)	(2,528,476)	(4,557,917)
Adjustments for:			
Depreciation of property, plant and equipment	44,520	30,718	67,100
Amortisation of intangible assets	-	14,396	28,793
Share-based payment expense	47,685	26,189	59,454
Operating cash flows before movements in working capital	(1,664,007)	(2,457,173)	(4,402,570)
Increase in inventories	(55,308)	(736,034)	(667,111)
Decrease/ (increase) in trade and other receivables	374,734	185,030	(114,411)
Increase/ (decrease) in payables	56,921	155,075	(429,528)
Cash reduced by operations	(1,287,660)	(2,853,102)	(5,613,620)
Income taxes refunded	-	176,789	4,293
Interest paid	(11)	-	-
Net cash outflow from operating activities	(1,287,671)	(2,676,313)	(5,609,327

4. Analysis of cash flows

	Unaudited six months ended 30 June 2009	Unaudited six months ended 30 June 2008	Year ended 31 December 2008
	£	£	£
Investing activities			
Interest receivable and similar income	1,085	139,239	92,885
Purchase of property, plant and equipment	(2,285)	(43,141)	(30,008)
Net cash (outflow)/inflow	(1,200)	96,098	62,877
Financing activities			
Proceeds on issue of shares	1,125,073	-	2,776,519
Interest paid	(11)	(51,340)	(1)
Net cash inflow	1,125,062	(51,340)	2,776,518