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

Half year report
for the six months ended 30 June 2010

Cyan Holdings plc (AIM:CYAN.L), the fabless semiconductor company providing wireless utility metering and lighting control products announces its half year results for the six months ended 30 June 2010.

Summary

- Completed transition from fabless MCU manufacturer to system supplier to the wireless utility metering and street lighting control markets.
- Cyan's products have been designed into those of its customers, significantly improving the prospects for material orders over the next 12 months.
- Raised circa £1.8 million in September 2010, net of expenses, in a placing to provide additional working capital.
- Offer of £450,000 convertible loan note to provide further working capital.
- Continued tight management of costs.

Kenn Lamb, CEO of Cyan, commented:

"After a slower than expected start to the year, the pace of new customer engagements accelerated at the end of Q2 as changes in the sales team and channels started to show results. In Q2 Cyan experienced significant new interest in our wireless meter reading products for electricity meters and this has been followed throughout the third quarter with broad interest in Cyan's streetlight control products particularly new variants for Sodium and HID lighting. Both of these new products built on features and customer feedback gained from Cyan's Gas meter and LED lighting products that were released during 2009. There was a slower than expected uptake of LED street lighting in China and an unexpected requirement for a second version of our Gas meter to incorporate a feature dictated by a utility company. This work has been completed and Cyan now has wireless products for electricity and gas metering, LED, Sodium and HID lighting all of which are designed into customer meters and lights which we are told are being bid into tenders at an accelerating pace. Feedback from customers and partners supports our experience of the last few months in that the market demand for the products that Cyan has developed is growing rapidly and we have high expectations for the resulting growth of the company."

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Interim Statement

Cyan has completed the transition from a fabless MCU manufacturer to a system supplier which offers an integrated suite of software and hardware products targeting the utility metering and street lighting sectors. These products can be retrofitted to customers' existing products, thus enabling them to benefit from wireless control, enhanced range and penetration within buildings using Cyan's mesh networking solution. Cyan has now reached the stage where its products have been designed into those of its customers, thereby significantly improving the prospects for material orders over the next twelve months.

We believe that the growth of Cyan's target markets is driven by a number of factors, including detection and minimisation of fraud and enforcement of payment for utility providers, which can generate financial returns for end customers far in excess of the cost of retrofitting Cyan wireless meter control products. In addition, we believe that energy and maintenance cost savings realised from individually monitoring, controlling and dimming street lighting can generate significant financial savings again far in excess of the cost of retrofitting Cyan wireless lighting control products. We expect this functionality to become a default requirement as governments become aware of the energy savings that can be realised from street lighting monitoring and control via mesh networks.

Cyan's products can have additional features such as meter tamper alarms and lighting power consumption reports. Importantly, Cyan's system solutions are designed for ease of use, which we believe has been an important factor in these products being integrated into customers' end products.

We understand that Cyan's customers have tested competitors' products alongside those of Cyan and in these tests Cyan's products have operated consistently well in locations where those of competitors have failed. Demonstration of this has, we believe, assisted the Cyan's distributors greatly, thereby accelerating the pace of new business prospects.

We believe that Cyan has a technological advantage that has been achieved through significant investment in development and field trials. Cyan's mesh networking protocol has been developed to operate in the sub 1GHz frequency bands which have good building penetration capability and has been further enhanced to maximise range at low signal strengths and data rates. The intellectual property is embedded across multiple products and we believe that duplication of this would require considerable time and expense from a competitor. We believe that Cyan's superior building penetration and signal range provides an opportunity for Cyan's products to become widely and quickly adopted, as well as being difficult to displace.

Financials

For the six months ended 30 June 2010 turnover was £66,207 (2009:£42,575). The loss for the period was reduced to £1,069,933 (2009:£1,612,050), mainly due to continuing effective cost controls and a reduced workforce. Cash balances at the period end were £721,746 (2009: £1,504,783).

In order to fund the growth of the business and its resulting additional working capital requirements Cyan on 1 September 2010 announced that it had secured a further round of finance, successfully raising circa £1.8 million (net of expenses) as a result of a placing of shares with new and existing shareholders. In addition, the Company is currently in negotiation relating to the proposed issue of a Convertible Loan Note to the value of £450,000.The Board would like to take this opportunity to thank Cenkos Securities for their management of the placing, and the new and existing shareholders for their support.

Outlook

Cyan has developed new products specifically for the Indian Electricity Metering market and for the Sodium and Xenon HID lighting markets and has several customers with these embedded into their own products which have already been submitted into multiple tenders, some of which are understood to be for 100k units. These customers are established suppliers to the utilities and all have existing run rate manufacturing capacity in excess of one million units per annum. These customers have indicated to Cyan that significant costs are incurred in each tender bid and that they expect to win at least a portion of most of the tenders for which they bid. Specifically, Cyan has signed an MOU with an electronics customer to integrate Cyan's products into that customer's sodium/HID ballast and we expect this to result in a first order in Q4 2010 and to subsequently develop into further orders during 2011.

With a product range that is now well developed and which is receiving increased levels of commercial traction from its primary customers, the Directors believe that the prospects for the Company for the remainder of 2010, and particularly 2011, are promising. Given the number of prospective companies with which Cyan is actively engaged and the fact that several customers are tendering for major projects which, if successful, would result in significant orders in 2011, we are excited about Cyan's prospects and view the future with confidence.

Kenn Lamb
Chief Executive Officer
30 September 2010

Consolidated Income Statement
Six months ended 30 June 2010

	Notes	Unaudited six months ended 30 June 2010	Unaudited six months ended 30 June 2009	Year ended 31 December 2009
		£	£	£
Continuing operations				
Revenue		66,207	42,575	95,569
Cost of sales		(38,046)	(27,313)	(62,897)
Gross Profit		28,161	15,262	32,672
Operating costs		(744,774)	(1,243,185)	(1,633,138)
Research and development costs		(504,231)	(528,289)	(1,532,669)
Operating loss		(1,220,844)	(1,756,212)	(3,133,135)
Investment revenue		911	1,085	1,639
Finance costs		-	(11)	(11)
Loss before tax		(1,219,933)	(1,755,138)	(3,131,507)
Tax		150,000	143,088	479,247
Loss for the period		(1,069,933)	(1,612,050)	(2,652,260)
Loss per share (pence)				
Basic and diluted	2	(0.17)	(0.3)	(0.5)

Consolidated Balance Sheet

At 30 June 2010

	Unaudited 30 June 2010	Unaudited 30 June 2009	31 December 2009
	£	£	£
Non-current assets			
Intangible assets	-	-	-
Property, plant and equipment	37,373	48,680	39,729
	37,373	48,680	39,729
Current Assets			
Inventories	890,876	902,658	893,087
Trade and other receivables	568,491	242,840	569,601
Cash and cash equivalents	721,746	1,504,783	1,968,072
	2,181,113	2,650,281	3,430,760
Total assets	2,218,486	2,698,961	3,470,488
Current liabilities			
Trade and other payables	229,782	331,937	229,332
Total liabilities	229,782	331,937	229,332
Net assets	1,988,704	2,367,024	3,241,157
Equity			
Share capital	1,309,565	1,118,259	1,309,565
Share premium account	19,026,290	17,353,068	19,026,290
Own shares held	(690,191)	(690,191)	(690,191)
Share option reserve	379,886	316,537	379,886
Translation reserve	(410,634)	(214,580)	(228,114)
Retained loss	(17,626,212)	(15,516,069)	(16,556,279)
Total equity being attributable to equity holders of the parent	1,988,704	2,367,024	3,241,157

Consolidated Statement of Comprehensive Income

Six months ended 30 June 2010

	Unaudited six months ended 30 June 2010	Unaudited six months ended 30 June 2009	Year ended 31 December 2009
	£	£	£
Exchange differences on translation of foreign operations	(186,679)	159,368	145,834
Loss for period	(1,069,933)	(1,612,050)	(2,652,260)
Total comprehensive income for the period	(1,256,612)	(1,452,682)	(2,506,426)

Consolidated Cash Flow Statement
Six months ended 30 June 2010

	Notes	Unaudited six months ended 30 June 2010 £	Unaudited six months ended 30 June 2009 £	Year ended 31 December 2009 £
Net cash outflow from operating activities	3	(1,013,617)	(1,287,671)	(2,400,080)
Investing activities	4	(1,362)	(1,200)	(9,288)
Financing activities	4	-	1,125,062	2,989,591
Net (decrease)/increase in cash and cash equivalents		(1,014,979)	(163,809)	580,223
Cash and cash equivalents at beginning of period		1,968,072	1,356,886	1,356,886
Effect of foreign exchange rate changes		(231,347)	311,706	30,963
Cash and cash equivalents at end of period		721,746	1,504,783	1,968,072

Notes to Accounts
Six months ended 30 June 2010

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 2009.

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 2010 and 30 June 2009 have not been audited. The results for the year ended 31 December 2009 have been extracted from the statutory financial statements of Cyan Holdings plc.

Statutory financial statements for the year ended 31 December 2009 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. Going Concern

The directors have prepared a business plan and cash flow forecast for the period to 30 September 2011. The forecast contains certain assumptions about the level of future sales and the level of gross margins. The directors acknowledge that the Group is trading in a difficult economic environment and in markets that are relatively new to the Group. This may impact both the Group's ability to generate positive cash-flow and to raise new finance. There is a risk that the level of sales achieved is materially lower than the level forecast or at materially lower margins. The directors have taken steps to satisfy themselves about the robustness of sales forecasts but acknowledge that the timing of customer orders in the Group's target markets is inherently uncertain. The directors are of the opinion that this business plan is achievable. On this basis, the directors have assumed that the company is a going concern.

There is however, 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.

3. Post balance sheet event

Since the end of the period, the Group has raised additional equity funding of circa £1.8 million after expenses. In addition the Group is in negotiation relating to the proposed issue of a convertible loan note for £450,000. The placing and acceptance of the convertible were authorised by existing shareholders on 16 September 2010.

4. 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 2010	Unaudited six months ended 30 June 2009	Year ended 31 December 2009
	£	£	£
Losses (£)	1,069,933	1,612,050	2,652,260
Weighted average number of shares	617,279,500	597,095,436	528,453,250

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.

5. Reconciliation of operating loss to operating cash flows

	Unaudited six months ended 30 June 2010	Unaudited six months ended 30 June 2009	Year ended 31 December 2009
	£	£	£
Operating loss for the period	(1,220,844)	(1,756,212)	(3,133,135)
Adjustments for:			
Depreciation of property, plant and equipment	14,576	44,520	62,232
Share-based payment expense	-	47,685	111,034
Operating cash flows before movements in working capital	(1,206,268)	(1,664,007)	(2,959,869)
Decrease/(increase) in inventories	2,211	(55,308)	(45,734)
Decrease/ (increase) in receivables	1,110	374,734	48,035
Increase/ (decrease) in payables	450	56,921	(45,363)
Cash reduced by operations	(1,202,497)	(1,287,660)	(3,002,931)
Income taxes received	188,880	-	602,851
Interest paid	-	(11)	-
Net cash outflow from operating activities	(1,013,617)	(1,287,671)	(2,400,080)

6. Analysis of cash flows

	Unaudited six months ended 30 June 2010	Unaudited six months ended 30 June 2009	Year ended 31 December 2009
	£	£	£
Investing activities			
Interest receivable and similar income	922	1,085	1,639
Purchase of property, plant and equipment	(2,284)	(2,285)	(10,927)
Net cash used by/from investing activities	(1,362)	(1,200)	(9,288)
Financing activities			
Proceeds on issue of shares	-	1,125,073	2,989,602
Interest paid	-	(11)	(11)
Net cash from financing activities	-	1,125,062	2,989,591