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

Interim Results for the six months ended 30 June 2011

Cyan Holdings Plc (AIM:CYAN.L), the integrated system design company delivering mesh based flexible wireless solutions for lighting control, utility metering and industrial telemetry announces its Interim Results for the six months ended 30 June 2011.

Highlights

- Turnover of £220,277 was up significantly on H1 2010 (H1 2010: £66,207).
- Successful fund raising of circa £1.1 million (net of expenses).
- Increased number of orders from the Chinese lighting market and a high probability of orders from the Indian metering market
- Prospects in the Indian Electricity metering market substantially improved over the last 6 months.
- The Chinese lighting market has been transformed by the introduction of Energy Management Contracts (EMC) which provide access to Government funding through investment in new EMC companies.

Kenn Lamb, Chief Executive, commented:

"Cyan's prospects in the Indian Electricity metering market have been transformed over the last 12 months as confirmed by the release of the specification of single phase electricity meters for India's Advanced Metering Infrastructure (AMI). This very welcome development, something that we have been working toward for all of 2011, has already accelerated the pace of enquiries for Cyan's metering products.

"I am delighted by the success of our interoperability solution, something that is an essential requirement of Electricity boards who want to allocate tenders across multiple suppliers.

"The first half of the year is always slow in China, and I am encouraged that the transition to EMC contracts for lighting installations has been completed during this period. All indications are that we are going to have a busy finish to 2011"

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INTERIM STATEMENT

Twelve months ago we reported that Cyan had developed new products specifically for the Indian Electricity Metering market and for the Sodium and Xenon HID lighting markets, and had several customers with these embedded into their own products. Recent announcements have shown that these have now translated into orders in the Chinese lighting markets and are poised to translate into orders in the Indian metering market.

Although we have experienced slippage in converting these orders, our expectations towards the size of our marketplace has been confirmed and we remain confident in our ability to retain control of a substantial portion of these markets.

Lighting

The Chinese lighting market has been transformed by the introduction of Energy Management Contracts (EMC) which provide access to Government funding through investment in new EMC companies set up specifically to reduce national energy requirements by upgrading existing street lighting to lower energy technologies. With EMC contracts, cities do not require access to capital; the cost of the upgrade is funded by the reduction in energy costs over subsequent years and this business model incentivises the EMC company to maximise energy savings thus giving a good prospect that these contracts will meet government energy reduction goals.

Many lighting companies, including all of Cyan's customers, have been seeking to participate in this market and the formation of EMC companies, the award of EMC contracts and the conversion of existing projects into EMC has delayed project starts and roll-outs. The cause of the delay seems to now be over, with our customers having formed new EMC companies and telling us that the first EMC contracts have been awarded. New prospects are eager to start incorporating Cyan products because of our proven success within a number of projects as well as the exhibition of lighting using Cyan systems in Beijing as well as the installation of small trials in Beijing which is taken as a sign of confidence in the reliability of the product.

These projects have provided valuable feedback from the end users. City Governments have requested a number of new features that we have incorporated into the management software delivered with our product. The presence of these features in our product differentiates Cyan as we sell hardware but we are not perceived as a hardware supplier. Cyan delivers a complete system solution, often with customised software for individual lighting manufacturers including features that only a company experienced in managing lighting systems would understand. Indeed, as we have travelled along this long road of investment into product development and trials,a single competitor may struggle to match our complete solution.. A hardware-only competitor may try to undercut Cyan on price, but is unlikely to have any system software. A lighting management software company has to justify charging for its product and to support alternative hardware lighting control systems. Cyan has, as yet, not identified any comparable competitive product, accordingly we expect to win a significant share of the initial Chinese lighting market through leveraging this product lead, which we will do through our relationships with the largest lighting manufacturers. In the longer term we expect to retain market share through the twin factors of;

1. A deployment of our lighting control technology in one city is unlikely subsequently to shift to a competitor without triggering a retrofit need. Cyan's lighting control solution supports multiple low energy lighting technologies, enhancing energy savings through dimming. Once deployment has started with Cyan the only likely downside is in the event that deployment through us is not completed. A city that requires 250,000 lights to be replaced may only order 50,000 initially, but our view is that it is more than likely that the eventual order will reach the full 250,000.
2. The management control system delivered to each City is initially a customised selection of existing product features, but is soon enhanced with additional features requested by the City. Any competitor is unlikely to be a credible option without these additional features.

Metering

The Indian wireless electricity metering market had a false start last year as a number of small tenders failed to materialise once customers' attention had been drawn to a tender for in excess of 1 million units. This tender specification implied a preference for Zigbee but has been subject to multiple revisions. Zigbee is a wireless mesh standard supported by a number of device manufacturers popular in the USA. Zigbee promises interoperability through the provision of a number of 'profiles' including profiles for metering. Use of Zigbee necessitates a rigid adherence to the standard and the majority of suppliers support operation at 2.4GHz. These requirements are in stark contrast to Cyan's solution where we had eschewed use of the 2.4GHz band because it is inferior in buildings. Therefore, we had developed CyLec to minimise the changes required by meter manufacturers in incorporating Cyan's products.

Cyan did not have a product that met the specification for this tender which is unfortunate given our belief that that the specification had failed to recognise the advantages of Cyan's solution in the Indian market and in particular our use of 865MHz and our practical solution for interoperability.

In 2011 Cyan has worked with multiple meter manufacturers which are bidding for tenders from multiple Electricity boards, most well in excess of 1 million units. These meter manufacturers have demonstrated Cyan's solution to the electricity boards and we have sought to draw attention from central government departments to the advantages of CyLec in the Indian market.

Cyan is pleased to report that these activities have recently yielded promising results. Within the last few weeks the Indian Government has proposed an AMI architecture, described in summary below, for use in India which closely matches Cyan's product:

India's Central Electricity Authority, an "Attached Office" of the Ministry of Power, set up a committee to finalise the specification of single phase electricity meters for India's Advanced Metering Infrastructure. The committee consisted of representatives from electricity utilities, meter manufacturers, component manufacturers and India's standards bodies.

For installations in dense areas, they propose an architecture which uses meters which communicate with a data concentrator (DCU) network in order to send data back to a head end system (HES) via GPRS. They propose either RF Mesh in the 865-867 MHz band or PLCC technologies for the communication between meters and DCU. (Section 3.3.2)

We believe that this fits precisely with Cyan's metering system architecture, which uses an 865-867 MHz mesh network to send data back to a DCU and then on the HES using GPRS.

Whereas this document does not explicitly exclude use of Zigbee for meter to meter communication it has been leapt upon by a number of meter manufacturers to mean just that. It has been seen as a strong endorsement of Cyan's choice of operating frequency and we now expect to see a new wave of tenders that have a technical specification that is a very close match to Cyan's solution. In recent weeks two major meter manufacturers have accelerated their development programs to incorporate CyLec into their meters and a new Electricity board has expressed interest in meter's using CyLec.

Financials

For the six months ended 30 June 2011 turnover was £220,277, up significantly on H1 2010 (H1 2010: £66,207). The loss for the period was £1,354,323 (H1 2010: £1,069,933). Cash balances at the period end were £1,103,923 (H1 2010: £721,746).

In order to fund the growth of the business and it's additional working capital requirements, Cyan announced on 26th July 2011 that it had secured a further round of finance. The Company successfully raised circa £1.1 million (net of expenses) as a result of a placing of shares by XCAP Securities. The Board would like to take this opportunity to welcome the new shareholders and thank the existing shareholders for their support.

Outlook

Cyan's prospects in the Indian Electricity metering market have been transformed over the last 12 months as confirmed by the release of the specification of single phase electricity meters for India's Advanced Metering Infrastructure (AMI). This very welcome development, something that we have been working toward for all of 2011 and has already accelerated the pace of enquiries for Cyan's metering products.

I am delighted by the success of our interoperability solution, something that is an essential requirement of Electricity boards who want to allocate tenders across multiple suppliers.

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Kenn Lamb
Chief Executive Officer
30 September 2011

Consolidated Income Statement

Six months ended 30 June 2011

	Notes	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Year ended 31 December 2010
		£	£	£
Continuing operations				
Revenue		220,277	66,207	139,047
Cost of sales		(163,978)	(38,046)	(96,326)
Gross Profit		56,299	28,161	42,721
Operating costs		(774,675)	(744,774)	(1,259,073)
Research and development costs		(786,955)	(504,231)	(1,737,703)
Operating loss		(1,505,331)	(1,220,844)	(2,954,055)
Investment revenue		1,008	911	1,487
Finance costs		-	-	(85)
Loss before tax		(1,504,323)	(1,219,933)	(2,952,653)
Tax		150,000	150,000	304,537
Loss for the period		(1,354,323)	(1,069,933)	(2,648,116)
Loss per share (pence)				
Basic and diluted	4	(0.15)	(0.17)	(0.35)

Consolidated Balance Sheet
At 30 June 2011

	Unaudited 30 June 2011	Unaudited 30 June 2010	31 December 2010
	£	£	£
Non-current assets			
Intangible assets	-	-	-
Property, plant and equipment	44,394	37,373	29,114
	44,394	37,373	29,114
Current Assets			
Inventories	1,054,266	890,876	872,923
Trade and other receivables	338,418	568,491	411,848
Cash and cash equivalents	1,103,923	721,746	1,484,437
	2,496,607	2,181,113	2,769,208
Total assets	2,541,001	2,218,486	2,798,322
Current liabilities			
Trade and other payables	343,666	229,782	283,872
Total liabilities	343,666	229,782	283,872
Net assets	2,197,335	1,988,704	2,514,450
Equity			
Share capital	2,006,448	1,309,565	1,847,666
Share premium account	21,188,996	19,026,290	20,378,625
Own shares held	(690,191)	(690,191)	(690,191)
Share option reserve	476,999	379,886	476,999
Translation reserve	(226,199)	(410,634)	(294,254)
Retained loss	(20,558,718)	(17,626,212)	(19,204,395)
Total equity being attributable to equity holders of the parent	2,197,335	1,988,704	2,514,450

Consolidated Statement of Comprehensive Income
Six months ended 30 June 2011

	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Year ended 31 December 2010
	£	£	£
Exchange differences on translation of foreign operations	68,055	(186,679)	(66,140)
Loss for period	(1,354,323)	(1,069,933)	(2,648,116)
Total comprehensive income for the period	(1,286,268)	(1,256,612)	(2,714,256)

Consolidated Cash Flow Statement
Six months ended 30 June 2011

	Notes	Unaudited six months ended 30 June 2011 £	Unaudited six months ended 30 June 2010 £	Year ended 31 December 2010 £
Net cash outflow from operating activities	5	(1,390,711)	(1,013,617)	(2,293,931)
Investing activities	6	(27,163)	(1,362)	(13,639)
Financing activities	6	969,153	-	1,890,351
Net decrease in cash and cash equivalents		(448,721)	(1,014,979)	(417,219)
Cash and cash equivalents at beginning of period		1,484,437	1,968,072	1,968,072
Effect of foreign exchange rate changes		68,207	(231,347)	(66,416)
Cash and cash equivalents at end of period		1,103,923	721,746	1,484,437

Notes to Accounts
Six months ended 30 June 2011

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 2010.

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 ended 30 June 2011 and 30 June 2010 have not been audited. The results for the year ended 31 December 2010 have been extracted from the statutory financial statements of Cyan Holdings plc.

Statutory financial statements for the year ended 31 December 2010 are available on the Company's website www.cyantechnology.com and have been filed with the Registrar of Companies. The Company's auditor 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 2012. 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 £1.1 million after expenses. The placing was authorised by existing shareholders on 16 August 2011.

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 2011	Unaudited six months ended 30 June 2010	Year ended 31 December 2010
	£	£	£
Losses (£)	1,354,323	1,069,933	2,648,116
Weighted average number of shares	925,996,146	617,279,500	751,804,821

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 2011	Unaudited six months ended 30 June 2010	Year ended 31 December 2010
	£	£	£
Operating loss for the period	(1,505,331)	(1,220,844)	(2,954,055)
Adjustments for:			
Depreciation of property, plant and equipment	12,738	14,576	26,017
Share-based payment expense	-	-	97,113
Operating cash flows before movements in working capital	(1,492,593)	(1,206,268)	(2,830,925)
(Increase) / decrease in inventories	(181,343)	2,211	20,164
(Increeease) / decrease in receivables	(94,243)	1,110	(17,038)
Increase in payables	59,795	450	54,540
Cash reduced by operations	(1,708,384)	(1,202,497)	(2,773,259)
Income taxes received	317,673	188,880	479,328
Net cash outflow from operating activities	(1,390,711)	(1,013,617)	(2,293,931)

6. Analysis of cash flows

	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Year ended 31 December 2010
	£	£	£
Investing activities			
Interest receivable and similar income	1,008	922	1,487
Purchase of property, plant and equipment	(28,171)	(2,284)	(15,126)
Net cash used by investing activities	(27,163)	(1,362)	(13,639)
Financing activities			
Proceeds on issue of shares (net of share issue costs)	969,153	-	1,890,436
Interest paid	-	-	(85)
Net cash from financing activities	969,153	-	1,890,351