Cyan Holdings plc
Annual Report and Accounts 2015

Overview

Cyan provides a communication platform for energy, lighting and emerging applications in the wider ‘Internet of Things’ network. Its integrated platform and partner collaborations deliver end-to-end solutions that connect millions of devices and support bidirectional communication with the end customer. Cyan’s smart metering and lighting solutions enhance quality of service in emerging regions, through power savings, lower operating costs and increased cost efficiency. Cyan’s vision to create improved value through Smart City solutions has provided its customers with the foundation upon which to build incremental services as these markets evolve.

CyLec® is Cyan’s smart metering solution for energy utilities. It provides a robust, scalable and integrated platform that enables utilities to transform exisiting power grid infrastructure into the smart grid. Using CyLec, utilities can rapidly deploy an interoperable Advanced Metering Infrastructure (AMI) solution that provides an automated, two-way communication interface between the consumer and the smart grid.

CyLux® is Cyan’s energy efficient smart lighting solution. It enables significant power savings by optimising the way in which public lighting is managed. CyLux is compatible with all the latest lighting technologies including HPS, HID and LED. The CyLux web portal provides a central monitoring and control interface that scales to city and state wide deployments.

Together with Cyan’s System Integrator partners, Cyan provides first class, support managed services and Software as a Service (SaaS) to assist in the planning and integration of its solution.

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Highlights

Operational Highlights

- £1m smart metering order from Enzen Global Solutions in India, following incorporation of wholly owned subsidiary in India in January 2015
- Additional 13,000 unit smart metering order from Enzen in India
- Letter of intent for $3m smart meter order in Ghana
- Successful deployment of Cyan smart metering solution at Tata Power Mumbai
- Proof of concept order and distribution agreement in South Africa
- Strategic partnership agreement signed with Newcapec to enter China metering market
- New equity funding of £4.6m (gross) completed in June 2015
- Winner of a number of prestigious industry awards during the year, including Innovation of the Year Award at the 6th annual Smart Energy UK & Europe Awards

Financial highlights

	2015 £	2014 £	Percentage change
Revenue	272,012	193,550	+41%
Operating costs made up of: Research and development expenditure Other operating costs	3,125,758 1,886,938	1,843,213 1,487,301	+70% +27%
Operating loss	(4,902,643)	(3,260,063)	-50%
Cash and cash equivalents	2,461,057	2,344,344	+5%

Post Year End Highlights

- Transformational £10m purchase order for smart metering in Iran
- As announced on 24 May 2016, the Board is considering its financing options to raise additional funding to be used for a potential acquisition and for working capital purposes, although the terms of any potential financing are yet to be agreed
- Follow on order for a further 5,000 meters from Larson & Toubro for Tata Power
- Paul Ratcliff joined Cyan Board of Directors as a Non-Executive
- Received an R&D tax credit cash refund of £579,585 (2014: £401,344)
- Investment of £450,000 at a significant premium to the then share price in March 2016.

Chairman’s Statement

Dear Shareholder

I am pleased to update you on what has been an extremely busy and exciting year for your Company. During 2015, Cyan continued to build on the momentum achieved during 2014, strengthening relationships with partners in existing markets and establishing new commercial partners in both existing and attractive new territories. The results of our investments were clearly demonstrated in April 2016, when we announced a £10 million smart metering contract in Iran which was ten times larger than our previous largest order. Any doubts we may have had about the markets not being ready for our products have receded as we are very active in the submission of a number of bids globally and have received initial orders from new territories following the year end.

We were thrilled to receive two orders from Enzen Global Solutions Pvt Ltd (“Enzen”) in India during the year, highlighting our strengthening relationships with key customers as well as the scalability of our business model. In addition, the follow-on order received post year-end to expand the deployment of our smart metering solution at Tata Power Mumbai (“Tata Power”) provided further evidence that the Company is well placed to benefit from building on existing relationships.

We also continued to strengthen our geographic reach by signing a letter of intent (“LOI”) with El Sewedy Electrometer Group EMG (“El Sewedy”) to supply Cyan’s CyLec® Advanced Metering Infrastructure (“AMI”) solution for a smart meter contract which El Sewedy has been awarded in Western Africa. Following the year-end, we received an £10 million order for smart metering in Iran, which opens up a significant new market for Cyan following the lifting of international trade sanctions in January 2016.

Another significant milestone was our entry into the Chinese smart metering market via a strategic partnership agreement with Newcapec Electronics Company Limited (“Newcapec”). In order to help further drive our growth in Asia we appointed Vikas Kashyap as Vice President Asia during the year with a view to further expanding our presence in the region. We now have 15 staff based in India focused on growing our sales pipeline and delivering customer projects.

Our continued focus on developing AMI opportunities and the combination of services, software and hardware we provide has enabled the Company to benefit from growing recurring revenues and visibility. Importantly, the successful deployment of initial orders and scale of opportunities provided by our partners provide further scope for the Company to grow its footprint.

I was delighted that during 2015 Cyan was named winner of a number of prestigious industry awards, providing our products with the recognition we feel they deserve, and giving a good indication of their potential in a number of fields. In February 2015, Cyan was named winner of the Innovation of the Year Award at the 6th annual Smart Energy UK & Europe Awards, for its CyLec smart metering solution designed for the power sector in next-generation economies. In November 2015, we were thrilled to win two further awards, the first being the prestigious Smart Metering, ICT & Data Management Award presented at the European Utility Week held in Vienna. This award was for Cyan’s CyLec retrofit smart metering module, designed for the power sector in emerging economies. We were also awarded the Future City Technology of the Year Award for our smart city communication platform at the Business Green awards in November 2015, with other shortlisted companies in this category including Siemens.

Chairman's Statement (continued)

Your Board made significant further personal investments in the Company during 2015, both as part of the placings described in the financial review and in the open market. We hope that these investments give you an indication of our confidence in the Company and its future prospects. The Board firmly believes that Cyan is at a pivotal point, with well established technology that is being recognised as such by the markets we address, and we continue to build on exciting opportunities currently being presented to the Company.

Financial Review

During the year, the Company raised £4,590,000 before expenses, by way of two share placings. This income provided funds for staffing costs for the delivery of customer projects won in India, development of managed services solutions, business development, customer deployments and further product development work.

Revenue increased from £193,550 in 2014 to £272,012 in 2015. Operating loss for the year ended 31 December 2015 was £4,902,643 (2014: £3,260,063) and net loss increased to £4,315,693 (2014: £2,853,963). Cash at year end was £2,461,057 (2014: £2,344,344).

India

The key driver for the Company in India was that we strengthened relationships with existing clients and won several new orders. The main reference point here is the two contracts worth in aggregate approximately £1.5m from Enzen. These contracts, which were announced in January 2015 and November 2015 are being implemented on behalf of Chamundeshwari Electricity Supply Corporation Limited ("CESC") and Paschimanchal Vidyut Vitran Nigam Limited ("PVVNL") respectively.

Importantly both of these contracts provide both visibility and credibility. The CESC order worth £1m, is believed to be the first commercial implementation of AMI technology by a public utility for consumers in India. As announced, it is for the provision of over 21,000 smart meters and associated hardware and software along with facility management services for a period of two years post deployment. The majority of the revenue on this project will be booked in 2016.

The PVVNL order, with an initial value of circa £500,000, is for the provision of over 13,000 smart meters and associated hardware and software. Again, with Cyan's managed services offering being charged on a per meter per year basis the Company has a visible revenue stream once deployment is complete. As previously announced, the first meters will be installed and commissioned in the first half of 2016 with all the meters deployed and commissioned before the end of the year.

The Company also successfully deployed the Cyan AMI communications solution for 5,000 smart meters for Tata Power during the year. The success of this original project, with meters providing data to generate customer bills, real-time information on electricity outages and other factors related to the quality and cost of power delivery, resulted in a follow on order for a further 5,000 meters post year-end. This demonstrates the confidence that Tata Power place in the quality of the Cyan smart metering solution.

In January 2015 we completed our incorporation of Cyan Technology India Private Limited, a wholly owned subsidiary of Cyan Holdings plc. This subsidiary was set up to show our support for the 'Make in India' and 'Skills India' initiatives of Prime Minister Modi whereby we intend to provide local people with jobs and skills to support innovation and industry in the country. At the start of the year we employed six staff in India and have continued to grow the subsidiary over the course of the year. We intend to further expand this operation as additional opportunities present themselves to us.

I was privileged to be invited to a reception at London's Guildhall in November 2015 where Prime Minister Modi and the UK Prime Minister David Cameron met to discuss deepening collaboration between the UK and India. I am delighted that Cyan can be part of the business ties discussed at this reception, particularly the smart city initiatives mentioned by Prime Minister Modi.

Rest of World

The Company's ever-expanding ecosystem of partners ensures that it is well placed for growth in a number of regions. Our focus has been on establishing relationships with partners that provide highly scalable opportunities. The first steps involve getting through the door with the initial aim of proving our solution and then building on this towards a long term, visible order book. Our experienced Board and know-how have led to a number of opportunities and building blocks being put in place in Africa, China, Brazil and Iran - all key markets outside of India.

In March 2015, we announced a non-exclusive distribution agreement with XLink Communications (Pty) Ltd ("XLink") to distribute Cyan's smart metering and lighting solutions as well as related Internet of Things ("IoT") applications in South Africa. This agreement included an initial order for Cyan's smart metering hardware and software, CyLec, for a 100 unit Proof of Concept project in South Africa.

We further broadened our reach in South Africa as Adenco Construction (Pty) Ltd ("Adenco") selected Cyan as a preferred supplier of smart metering and lighting solutions as well as related IoT applications.

The non-binding LOI we signed with El Sewedy in May provides scope for the Company to provide a full AMI solution for up to 200,000 consumers in Ghana, Western Africa. If deployed in full the contract could be worth up to $3m to Cyan. In addition, we received an order from El Sewedy for a 120 smart meter pilot project for an additional 40,000 unit opportunity also in Ghana.

In December we announced that we have entered the Chinese smart metering market via a partnership agreement with Newcapec which also provides significant scope for growth. China remains a key market for Cyan, and is one that continues to focus increasingly on IoT.

In February 2016, we announced a purchase order from Micromodje for a street traffic camera smart metering project in Iran. The order was placed only a couple of weeks after international sanctions on Iran were lifted on Iran on 16 January 2016 and is believed to be one of the first orders secured by a UK business, with support from the specialist UK Trade and Investment team. Following the successful pilot of this smart metering project in February and March 2016, Micromodje placed a £10 million order in April for Cyan's AMI solution for 360,000 electricity meters, with over 50% of the order value being recurring software licenses. This purchase order is significantly larger than any purchase order received to date by Cyan and marks a step change in the Company's commercial progress. Cyan has started a dialogue with Micromodje on the next planned rollout of 1 million units, a meaningful step to securing a greater slice of the Iranian market requirement for smart electricity meters, totalling 33 million meters.

In May 2016, we also announced the signing of an agreement with JST Group in Thailand to distribute Cyan's solutions locally as well as winning the Best International Trade category award at the UK Energy Innovation Awards.

Board Changes

At the end of 2015 Peter Mainz was required to step down from the Board of Directors following his appointment to the Board of Itron. I was pleased, however, that Peter agreed to remain as a Senior Advisor to the Board of Cyan, and would like to thank him for his invaluable contribution and support whilst serving on your Board. I was also pleased to announce the appointment of Paul Ratcliff as a non-executive director to the Company with effect from 1 January 2016. I believe his wealth of business experience will greatly complement the skills of the current Board of Cyan.

Chairman's Statement (continued)

Board Changes (continued)

I would now also like to announce that it is the intention of John Read, former Chairman of Cyan, to step down from his role as non-executive director during the coming months due to retirement. John has agreed to remain in office until a suitable replacement has been found. We will be commencing a search for this replacement, and will update you further on this at the annual general meeting of the Company.

Employees

I would like to take this opportunity to personally thank each and every one of our employees for their significant efforts during this busy, challenging and exciting year. I am extremely proud of each of their achievements and contribution to the Company and look forward to working with them during 2016 and building on the momentum of 2015.

Outlook

2015 was a key year during which we positioned the Company for highly scalable growth. A widened geographic reach and growing levels of recurring revenue provide a solid basis for the year ahead. Having started 2016 with a follow on order for a further 5,000 meters to be installed at Tata Power, and with the new £10 million order from Iran, we are excited by the prospects of repeat orders from current clients and building new relationships in the fast growing territories we're operating in.

We already have a high level of revenue visibility for the current year with the majority of sales from both of the Enzen contracts to be booked this year, with a significant element in the first half. The focus now is on fulfilling these orders and building on our existing order book.

I was delighted to be approached by new investors wishing to take advantage of the EIS tax relief available through investments in Cyan during the tax year ending on 5th April 2016. I was particularly pleased that we were able to secure these investments at a significant premium to the then current share price.

The Board and I are looking forward to the year ahead. Our strategy is starting to work as we build on all of the relationships created and opportunities presented to us in recent years. We are now well placed to take advantage of a growing market in India in particular and the other opportunities globally. We remain as focused as ever on driving value for our shareholders. I would like to take this opportunity to personally thank you for your continued support.

John Cronin
Executive Chairman
3 June 2016

Board of Directors

John Cronin - Executive Chairman (60)

John Cronin is a seasoned and successful professional. He has been instrumental in mergers and acquisitions worldwide, raised equity, debt facilities and vendor financing funding between $50 million and $900 million and set up operations in international markets. In addition he has created significant value for shareholders with four Company exits in Picochip, Azure Solutions, i2 and Netsource Europe totalling $600 million.

John's contribution to high-tech industries includes being Chairman, CEO, NED, or adviser to Antenova, GCI Com, Aria networks, Picochip, Arqiva, i2, Cambridge Networks, Kast, Azure, Next2Friends, Bailey Fisher, Netsource, Mercury (C&W), BT and direct to private equity and VC firms.

A highly successful Chairman, CEO and MD in International markets (Europe, Americas, SE Asia) in the Technology, Media and Telecommunications sector including, Smart Metering, IT Software companies, Operations Support Systems, Infrastructure, Hardware, Broadcast, Telecommunications, Utilities, Hosting and Managed Services, John Cronin joined the board in March 2012 initially as a non-executive director, and took over from John Read as Executive Chairman following the Company's AGM in May 2012.

Simon Smith - Chief Financial Officer (49)

Simon joined Cyan as a Non-Executive Director in March 2010 and was appointed CFO in October 2013. He is an experienced financial executive with over twenty five years' experience in the software and semiconductor sectors.

Prior to establishing himself as an independent adviser and technology company Board member in the period from 2007 to 2013, Simon held the position of Chief Financial Officer/Director of Finance at multi-national businesses in both the UK and USA since 1997 and his experiences include multiple business acquisitions/ disposals, fund raising, business planning, cash management and customer contract negotiation.

In the period from 2001 to 2007, he was Chief Financial Officer at semiconductor IP company, Elixent, which was venture capital funded and sold to Panasonic Japan. In the period from 1997 to 2001, he worked at Silicon Valley (USA) software company McAfee as Senior Director of Finance and then CFO of their Software as a Service (SaaS) subsidiary myCIO.com, with McAfee acquiring 14 companies during this period. Before 1997, Simon was a Management Consultant in both the UK and USA where he managed a team of consultants on multiple implementations of ERP systems. Simon qualified with the Institute of Chartered Accountants in England & Wales in 1991.

Board of Directors (continued)

Dr John Read - Non-Executive Director (74)

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 Chairman of the semiconductor Company Si-Light Technologies Limited. He became a Director of Cyan in November 2005, was appointed Chairman in October 2007, and Executive Chairman in January 2012. He stepped down as Chairman at the Company's AGM in May 2012.

Harry Berry - Non-Executive Director (68)

Harry joined the Board in May 2014. He has over 30 years' experience in the technology and telecommunications industries and has held a wide range of senior positions and responsibilities in sales, global product management, change management, and development programs. Harry joined BT in 1970 and was responsible for the creation of BT Brightstar, a corporate incubator focussing on BT's R&D portfolio to create technology venturing. Harry is currently European Partner with New Venture Partners, a global venture capital firm dedicated to corporate technology spinouts with over $700 million under management. He is also the Chairman of the Eastern Enterprise Hub, which is an organisation responsible for delivering entrepreneurship into academic establishments working with the University Campus Suffolk and colleges across the eastern region of England. Harry is also the Chairman of New Anglia Capital, which helps to provide funding for early stage businesses.

During the period from 2006 to 2011, Harry was an independent director on the Board of Subex Azure Limited (now Subex Limited), a leading global provider of Business Support Systems, headquartered in Bangalore (India) with operations in the UK, US, Singapore, Dubai and Australia. Subex is listed on the Bombay and National Stock Exchanges in India, with a further listing on the Professional Securities Market of the London Stock Exchange.

Paul Ratcliff - Non-Executive Director (60)

Paul joined the Board in January 2016. With strong analytical skills, Paul started his career working in various IT, marketing and product development roles in large corporates before becoming a senior consultant for Coopers & Lybrand, within its London-based business information management practice. He is a now multi-disciplined, entrepreneur with a wealth of practical experience in creating shareholder value by growing businesses and has been involved in a number of corporate transactions resulting in premium returns for investors. This includes the founding of his own software and services CRM company, which he later sold for a substantial sum to a UK plc. Paul holds an MBA (with Distinction) from the University of Warwick.

A highly successful Chairman and director in the SME environment, Paul currently holds non-executive Chairman and Non-Executive Director positions for a number of companies operating in a range of sectors including IT, managed services and software.

Senior Management Team

Stephen Page, Chief Technology Officer

Stephen joined Cyan in 2004 having over 20 years' experience in embedded systems design and implementation. Spending much of his career in freelance consultancy he has worked on a diverse range of systems for many global companies, including development of next generation secure smart cards with the Secure Products Team of NatWest Bank, consumer digital TV, video and graphics products for Pace plc and Imagination Technologies, pre-payment electricity meters for Schlumberger and many other projects including those with Shell, BP, BNFL, NPL and the RAF Institute of Aviation medicine.

Vikas Kashyap, Vice President Asia

Vikas is responsible for business development and sales across Asia. Before joining Cyan, Vikas held the position of Director of Sales at Secure Meters (UK). Secure is part of Secure Meters Limited, one of India's leading energy metering companies and the flagship company of Secure Group. In his role as Director of Sales, Vikas was influential in projects for utilities in countries including India, Southeast Asia and the Middle East. Vikas was responsible for defining market requirements and business development as well as sales and project delivery of smart metering solutions funded by World Bank and local governments: BSES, Tata Power Delhi as well as state utilities in Uttar Pradesh, Haryana, Himachal Pradesh, Madhya Pradesh and Maharashtra. In addition, Vikas also led Secure's diversification into energy efficiency consulting through Advanced Energy Monitoring Systems, a Secure Group company.

Martin Collar, VP Operations and Development

Martin joined Cyan in August 2015 and leads the operations and development team. He joins Cyan from Intelligent Energy, a provider of hydrogen fuel cell technology, where he held the position of Senior Programme Manager for its Consumer Electronics division. Martin is senior manager with significant experience in managing complex development programmes across a wide range of industry sectors including mobile devices, telecoms, transport, healthcare and finance. Prior to Intelligent Energy Martin worked as an independent consultant, managing development teams for both start-up and established companies including Boots, Ladbrokes, ip.access, Plastic Logic, Wayfarer Transit Systems, Mobile Innovation and Symbian.

Heather Peacock, Company Secretary

Heather joined Cyan in November 2008 initially as Financial Controller, bringing 20 years senior financial management and business experience gained in a variety of companies. These include large multinationals and smaller, listed start-ups, both in the UK and in South Africa. Being qualified through the ICSA Heather was appointed as Company Secretary in September 2013, and works closely with the Board and advisers to ensure compliance with all Corporate Governance matters associated with the Company. Heather also manages the global HR functions at Cyan.

Strategic Report

Statement of Scope

This Strategic Report has been prepared solely to provide additional information for shareholders to assess the company's strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Cyan Holdings plc and its subsidiary undertakings when viewed as a whole.

Business Model

Electricity Metering

Cyan provides a communication platform that enables utilities to transform their power grid infrastructure into a smart grid that intelligently controls millions of electricity meters, providing timely information and control to both utilities and consumers. CyLec powers the next generation of advanced Radio Frequency ("RF") smart meters which enable power utilities to reduce losses and increase revenues through reliable and secure collection of consumer energy consumption data.

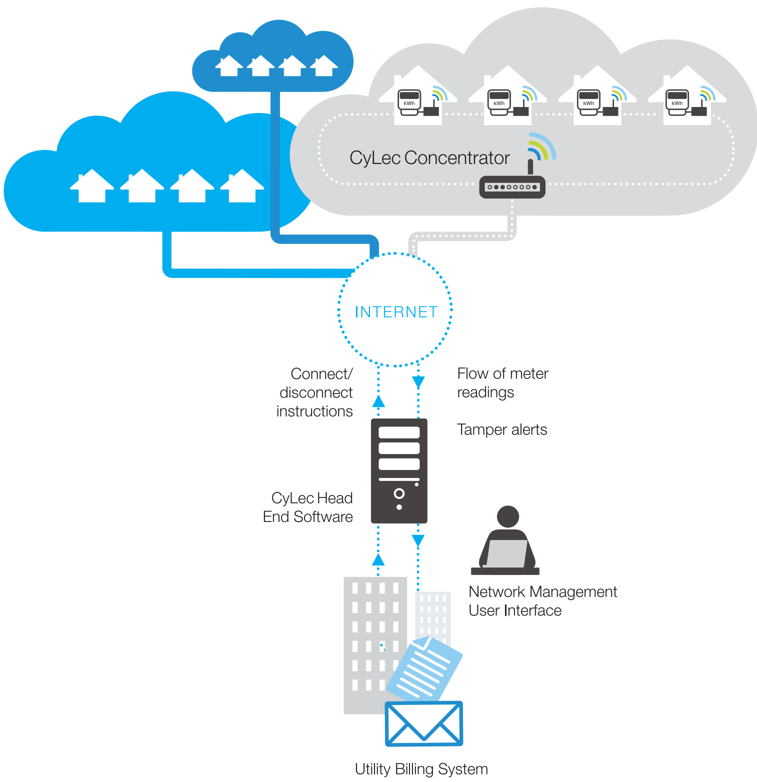

Figure 1 AMI smart metering solution

Strategic Report (continued)

Electricity Metering (continued)
Cyan's business model is to provide hardware and software that enables the smart grid. Its revenue is derived from the following principal elements:

- A small hardware communication module that can be integrated into the electricity meter of Cyan's meter manufacturer partners (such as Larsen & Toubro), or retrofitted to existing legacy meters. With the addition of this module, the meter is then enabled to communicate back to the utility's data centre.
- A further piece of hardware is a Data Concentrator Unit ("DCU"). This allows meters in consumers' homes to communicate with each other over a self-forming, self-healing mesh network.
- Software "CyLec Server" that sits in the utility's data centre and communicates with the DCU (and therefore all of the individual meters) over a secure internet connection (typically a mobile data network).

Cyan generally sells and delivers solutions through local partners in each country. Its revenues are derived from sales to local meter manufacturers or system integrators ("SIs") and in 2015 it has concluded sales through both channels. Over time Cyan expects SIs to take a lead role in providing a complete solution to utility customers and will bring in software/hardware from Cyan and meter manufacturers. Cyan believes that its approach to the market is ideally suited to the dynamics of emerging countries where local partnerships, local manufacturing and price competitive hardware are critical.

Cyan licenses its CyLec software to either the end utility customer to host themselves or on the basis of a Cyan hosted Software as a Service ("SaaS") solution. In both cases, it receives either an upfront or a recurring revenue stream that is based on both the size of the customer's meter installation base as well as the features (such as tamper alerts and remote disconnect) that have been enabled for the utility customer.

Lighting
The business model for lighting is very similar to that of electricity metering. In the case of lighting, the Cyan module is contained in the lighting ballast. The rest of the solution and the business model remains the same as metering above and this commonality enables Cyan to benefit from economies of scale in development and manufacturing.

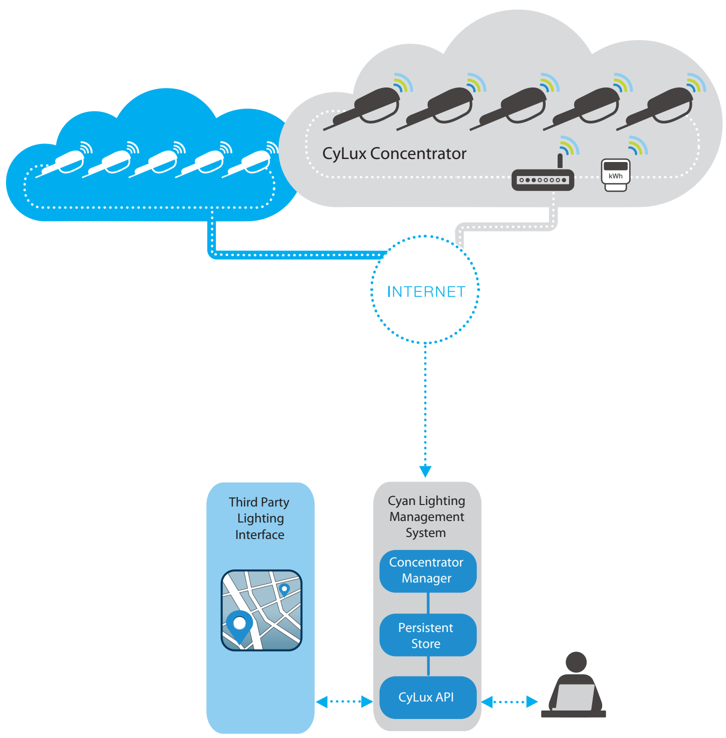

Figure 2 Smart lighting control solution

Internet of Things/Smart Cities

The business model for IoT/Smart City solutions is also very similar to that of electricity metering and lighting. The same Cyan modules used for electricity metering and lighting can be used as nodes within IoT/Smart City networks to connect together devices such as street traffic cameras, parking sensors, gas meters, water meters and any other application. The value and scalability of Cyan's business model will build rapidly as more Cyan powered devices are connected through its single mesh network and feed back to a common data centre containing its control software.

Competitive Position

To date, Cyan's solution has had over 200 man years of development by a very capable engineering team in Cambridge, UK and this has created a substantial barrier to entry. Its solutions solve large, complex, cross domain problems utilising skills such as RF hardware design, regulatory approval experience, mesh network firmware design, communications infrastructure development, meter protocol and interoperability techniques, security, enterprise software, scalability and robustness.

Cyan's solution has been designed and built for emerging markets, whilst its competitors have generally chosen western markets. It can be integrated into new meters, or retrofitted to existing meter infrastructure to avoid rip-and-replace costs. Its solution is inherently low power and this has helped Cyan to achieve a highly competitive price point for emerging market mass adoption. The Cyan mesh network is self-healing and self-configuring, which results in significant time (and therefore cost) savings for customers. Its DCU has also been designed to be highly functional, but in a small package which results in a competitive price point. Cyan offers sub-GHz wireless mesh solutions that are inherently suited to dense housing conditions typical of emerging markets. The network uses license free ISM (Industrial, Scientific and Medical) radio bands, which means that Cyan's customers do not need to invest in or pay for costly tower structures to carry the radio signals.

A Fair Review Of The Business

Metering

Cyan has made good progress in smart metering in existing target markets during 2015 and in the subsequent period up until the date of preparation of this report. It has also expanded its global focus to include Africa, Iran and other potential emerging markets worldwide. In January 2016, the Northeast Group published a research report stating that smart grid infrastructure investment is expected to reach $26 bn by 2025 and that investment in Advanced Metering Infrastructure projects in 2016 would be at twice the level of 2015.

The Government of India produced and released a Smart Grid Vision and Roadmap for India in 2013, which contains plans for 14 smart grid pilot projects. Several of these pilot projects are now underway and Cyan (through its partners) has bid on several of them. As a result of the first of these 14 smart grid projects to be awarded, Cyan received a purchase order in early 2015 worth approximately £1m from Enzen for a large pilot project being implemented for CESC, Mysore in southwest India. Cyan will supply over 21,000 smart meters and associated hardware and software and act as Enzen's end-to-end solution provider for smart metering. Cyan's management believes this is the first commercial implementation of AMI technology by a public utility for consumers in India. Cyan remains well positioned to win further projects out of these 14 smart grid pilot projects.

Strategic Report (continued)

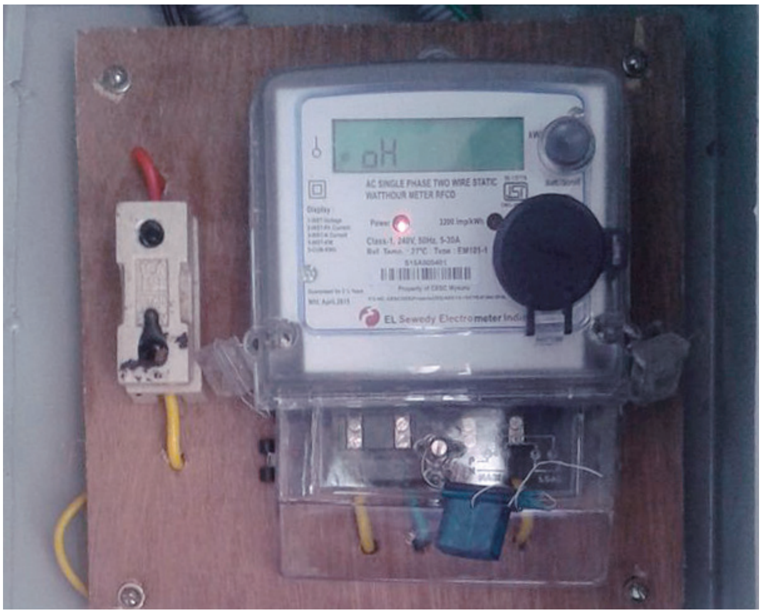

Figure 3 El Sewedy meter deployed for CESC

This was followed up in November 2015 by a purchase order from Enzen for a commercial smart metering implementation for PVVNL in Uttar Pradesh, India. Cyan will provide over 13,000 smart meters and associated hardware and software while the Company's head end software will be provided as a managed service hosted by Cyan and charged on a per meter per year basis, delivering a recurring revenue stream. The order from PVVNL is Cyan's second commercial implementation of AMI technology by a public utility for consumers in India.

Opportunities have emerged with private utilities in India and Cyan has progressed both commercial and pilot project orders throughout 2015. In April 2015, Cyan announced the successful deployment of 4,000 units by Tata Power Mumbai for Cyan's integrated CyLec solution. The Directors believe this to be is the first 865MHz AMI commercial volume project in India. Tata Power placed a follow on order for an additional 5,000 meters in January 2016.

The Indian market is a huge opportunity for the Company, with an estimated 120-200 million meters that need to be installed/replaced over the next 10 years as well as the Indian utilities' pressing need to reduce losses due to electricity theft. In addition, following the election of a new Prime Minister in 2014, one of the top priorities of the new government is to provide stable 24 x 7 power supply to all households by 2019. For this initiative to be successful, most utilities would have to resort to Demand Response (curtailing or shifting certain loads) for which AMI is essential.

One of the obstacles the utilities face is collecting data from millions of meters deployed in rapidly growing and typically unplanned urban conditions. It is often problematic trying to locate and gain physical access to the meters and the process is at best slow or error prone. Cyan's AMI solutions address these key issues by providing high quality and timely information from each meter. Its 865MHz based solution has been specifically designed to cope with demanding specifications such as a communication range of more than 60 metres and to be able to be read through concrete walls in order to cope with the dense urban conditions in India. By comparison, a 2.4GHz Zigbee solution has been observed to struggle to achieve a reliable communication range greater than 30 metres in the same challenging conditions.

India's transmission and distribution losses are among the highest in the world. When non-technical losses such as energy theft are included in the total, these losses increase to as high as 65% in some Indian States against an overall average of 30%-40%. The financial loss has been estimated at 1.7% of the national GDP. Frost & Sullivan have estimated that $32 bn of power generated in India is not accounted for through billing to customers.

In November 2015, the Indian Prime Minister Narendra Modi approved Ujwal Discom Assurance Yojana ("UDAY") scheme, which is targeted to deliver financial turnaround for power distribution companies. The UDAY scheme stipulates the deployment of smart meters for consumers in phased rollout by 2017 and then 2019, with a target is to install 35 million smart meters by 2019. It also includes a programme to eliminate State Distribution company debt through assignment to States and then bond issues. Following this, in February 2016 the President of the India Smart Grid Forum (Reji Pillai) predicted that the market for smart grid in India will reach INR 50,000 Crore (~£5 bn) in the next four to five years, with this being driven by the Government's plan to set up 100 smart cities and 500 smart towns. In March 2016, the Indian Power Minister laid out an opportunity to install 250 million smart meters in the period to the end of 2019 and also characterised the UDAY programme as a 'game changer'.

Cyan provides a platform product (CyLec) to enable deployment of AMI. AMI is an architecture for automated end-to-end bi-directional communications between a utility company and electricity meters (smart meters). The CyLec solution provides utilities with real time data about power consumption and allows customers to make informed choices about energy usage based on price at time of use. The CyLec solution includes hardware and software to enable this communication and allows easy interfacing to existing meter data management systems ("MDMS"), billing systems and other Smart Grid infrastructure monitoring tools within the utility such as outage detection and load management. Consumer meter tamper and electricity theft detection features are included and this helps utilities ensure they collect revenue for electricity that is used by consumers. The CyLec retrofit solution has proven easy to integrate to existing meters from various metering companies to upgrade them to be AMI compatible smart meters.

In South America, the distribution loss rate of 15.5% in South America is the highest in the world due to pervasive electricity theft (power outages are a continuing problem). In some parts of Brazil, power losses reach as high as 20%. According to Northeast Group, spend in South America on smart metering will reach $19 bn with 80.7m meters by 2023. One Brazilian electricity distribution company has estimated that 11GW of power (equivalent to $6 bn) is lost in the country due to AT&C losses.

According to the World Bank, Sub-Saharan Africa is on the threshold of a decade of strong economic growth, yet 68% of its 880 million inhabitants lack access to electricity. To put this into perspective, only 32% of the population has access to electricity, comparable to other emerging countries such as India at 40%. Across the African continent, only 10% of the population has access to the electrical grid and in these areas power is often unreliable. In February 2016, the Northeast Group published a research report stating that sub-Saharan countries will invest $8 bn in electricity metering by 2026 and commented that nearly one third of electricity produced in Africa is never properly billed to customers.

In March 2015 the Company announced that it has signed a proof of concept order and distribution agreement with XLink to distribute Cyan's smart metering and lighting solutions as well as related IoT applications in South Africa. This was followed in May 2015 by the Company's selection by Adenco as a preferred supplier of smart metering and lighting solutions as well as emerging, related IoT applications in South Africa.

Strategic Report (continued)

Metering (continued)

Another key development was the letter of intent ("LOI") from El Sewedy Electrometer Group EMG ("El Sewedy") to supply Cyan's CyLec® AMI solution for a smart meter contract which El Sewedy has been awarded in Western Africa.

The LOI states that, subject to contract, El Sewedy intends to appoint Cyan to provide a full AMI solution for up to 200,000 consumers in batches over three years. If deployed in full the contract could be worth up to $3m to Cyan. Cyan will immediately start working towards signing a contractual order with El Sewedy for the 200,000 meters indicated, but the LOI is no guarantee of the terms or timing of any such order or if a contract will be signed.

In February 2016, we announced a purchase order from Micromodje for a street traffic cameras smart metering project in Iran. The order was placed only a couple of weeks after international sanctions were lifted on Iran on 16 January 2016 and is believed to be one of the first orders secured by a UK business, with support from the specialist UK Trade and Investment team. Following the successful pilot of this smart metering project in February and March 2016, Micromodje placed a £10 million order in April for Cyan's AMI solution for 360,000 electricity meters, with over 50% of the order value being recurring software licenses. This purchase order is significantly larger than any purchase order received to date by Cyan and marks a step change in the Company's commercial progress. Cyan has started a dialogue with Micromodje on the next planned rollout of 1 million units, leading to the overall Iran market requirement of 33 million smart electricity meters.

Figure 4 Street traffic camera smart metering deployment, Iran

Lighting

Cyan continues to receive and deploy small orders for its smart lighting solutions across multiple geographies.

Internet of Things/Smart Cities

The order received in February 2016 from Micromodje in Iran for smart metering of street traffic cameras starts to demonstrate the applicability of Cyan's technology for IoT and smart city solutions on a global basis.

Operational Review

Key Financials

Commercial orders remained well below the level required to sustain the business. In 2015, the company raised £4,590,000 before expenses, by way of share placings. This income provided the Company incremental financial resources for general working capital, customer and partner development activities in India and further development to integrate Cyan's AMI solution into high level enterprise software.

A summary of the key financial results is set out in the table below and discussed in this section.

	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Revenue	272	194	138	315
Research and development expenditure	3,126	1,843	1,479	1,141
Operating loss	4,903	3,260	3,267	3,104
Cash and cash equivalents	2,461	2,344	1,636	1,619
Average monthly operating cash outflow	438	253	247	278
Average employee headcount	31	27	25	25

Key performance indicators

The key performance indicators for the Group are as set out in the key financial results table above. Whilst Cyan has made modest progress on revenue in 2015, the operating losses continued to be significant and have actually increased substantially from 2014 to 2015. As can be seen from the table, Cyan has increased investment in R&D in order to ensure that the Group's products remain competitive in the global marketplace. The Group's average headcount has increased from 27 in 2014 to 31 in 2015. The majority of the increase is attributable to the growth of Cyan India in line with the Group focus of winning more business in India. The Group's long-term strategy is to deliver shareholder returns by generating revenue and moving into profitability. We seek to do this by focusing our investment on emerging but fast growing markets where we believe we can reach a market leading position with our technology. We intend to use KPIs by management to track business performance over time, to understand general trends and to consider whether we are meeting our strategic objectives. As we grow we intend to review these KPIs and adapt them as appropriate, in response to how our business and strategy evolves.

Strategic Report (continued)

Principal Activity and Review of the Business
The principal activity of the Group during the year was the specialisation in the development of wireless monitoring and control products for smart metering infrastructure, intelligent lighting and wider IoT applications. The principal activity of the Company is that of a holding company. A review of the business can be found in the Chairman's Statement and this Strategic Report.

Principal risks and uncertainties
The Group is exposed to a number of risks and uncertainties. Those that are considered to be key to the Group set out in the following table:

Area of Risk	Description	Mitigating Activity
Funding	• We have a history of losses, anticipate continued losses and may incur negative operating cash flow in future periods, and we may not achieve or sustain profitability on a quarterly or annual basis in the near term. The Group's ability to continue as a going concern is subject to significant risks and uncertainty. We may not be able to secure additional financing on favourable terms, or at all, to meet our future capital needs.	• We have been able to secure additional equity funding from shareholders in the ten year period since Cyan was listed on AIM. In addition, the Group actively communicates with its investors and potential investors, including through its nominated advisor and brokers, in order to identify potential sources of further investment.
Growth Strategy	• The market for our products and services, and smart grid and smart lighting technology generally, is still developing. If the market develops less extensively or more slowly than we expect, our business could be harmed.	• Cyan continues to adopt a diversification strategy. This helps to identify targets in additional emerging markets, allowing for a much wider customer base and less pressure on one specific market and country.
Macro-economic conditions and political risk	• Sales cycles to our customers in emerging markets can be lengthy and unpredictable and require significant employee time and financial resources with no assurances that a prospective customer will select our products and services. • Cyan's sales and profits may be impacted by spending slowdowns and/or increasing inflationary pressures in key territories. • The territories in which we operate are subject to political risk whereby decisions by national or state governments may impact our ability to effectively trade in these markets. • At the time of preparation of this report, a vote will be held on 23 June 2016 to decide if the UK is to remain within the European Union and the opinion polls show that the result is expected to be close.	• The Group maintains close relationships with its partners and potential end customers in order to respond to the changing demands of the market and maximise contract wins. • Market data is regularly analysed to provide valuable information on demand changes. • We mitigate the political risk through the effective use of local partners in each territory who act as agents or resellers of Cyan's technology. • As the Group today does not trade substantially with any other EU country, the outcome of the vote is not expected to be significant. However, if the vote is to leave, this may create an extended period of economic uncertainty in the UK economy which could affect our ability to raise new equity finance.

Area of Risk	Description	Mitigating Activity
Competitive Environment	• The Group's products compete for technological superiority over those of competitors. There is a rish that new product developments by competitors diminish the attractiveness of the Group's products, reducing sales.	• The Group continues to make a substantial investment in research and development to ensure that its products provide the best possible match to potential customers' requirements.
Laws & Regulations	• We and our customers operate in a highly regulated business environment and changes in regulation could impose costs on us or make our products less economical. • Some of the markets we are targeting and have entered such as Iran are highly complex in terms of regulations to be followed as a UK exporter.	• Our design and engineering team have a proven track record in introducing new products that meet the requirements and regulations of diverse markets we operate in. • We have taken specialist legal advice on trading with Iran and will continue to do so in entering other new markets.
Business Continuity	• We do not control certain critical aspects of the manufacture of our products and depend on a limited number of contract manufacturers.	• Strong relationships are maintained with multiple suppliers. This helps ensure that any issues are communicated and can be mitigated where possible in good time, as well as providing the opportunity to switch supplier at short notice.
People	• As with many technology businesses, the Group is dependent on a relatively small number of highly skilled staff. The ability of the Group to retain and motivate its key staff is a key business risk. • Being a small company there is the added challenge of requiring staff to be skilled across a number of areas, with flexibility and agility to deliver results for customers.	• Cyan provides well-structured and competitive reward and benefit packages that ensure our ability to attract and retain employees. • Training and development opportunities are offered to support staff in their careers.
Cyber Risk	• Disruption to or penetration of our information technology platforms could have a material adverse impact on the Group.	• Technology resources are continuously monitored by appropriately trained staff, who provide and maintain process controls aimed at securing our networks and data. In 2015, we commissioned an external agency to carry out penetration testing of our network in order to ensure we meet industry best practice and we believe that this meets the needs of the business today.
Currency Exchange	• We are exposed to both translation and transaction risk. In addition transactions are carried out in currencies other than UK Sterling.	• Whilst most of Cyan UK customers are invoiced in US Dollars, we also contract the manufacture of Cyan's hardware in US Dollars and this partially offsets the risk. Cyan India operates entirely in Rupees. There is minimal currency risk due to customers and suppliers being paid in the same currency.

Strategic Report (continued)

Employee matters

Headcount

The development and delivery of innovative technologies is possible through the contribution of our people, operating in two different territories in the world, namely the UK and India. During 2015 we continued the recruitment of employees to be based locally on the ground in India as well as supporting local customers and partners. We intend to closely monitor the requirement for employees by region to ensure we have an appropriate presence to support our business, suppliers and customers.

Diversity

Cyan is a multicultural global organisation and we are committed to providing equal opportunities for training, career development and promotion to all employees, regardless of any physical disability, gender, religion, race or nationality. Within the management team that reports to the Board, women comprise 25% (or 1 out of 4 personnel) (2014: 20%) and at board level 0% (2014: 0%). In the Group as a whole, during 2015 women comprised 16% (2014: 15%) of our total employees (or 5 out of a total of 31) (2014: 4 out of 27).

Employment policy

Applications for vacancies are considered based on capabilities and reflecting the requirements of the role, and resources for development and training are made available to all employees. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged.

Environmental Policy

Cyan recognises that it has a moral duty of care as well as a legal obligation to act responsibly towards the environment and is committed to minimising the impact of its activities on the environment. Taking a responsible approach to the environment is good business practice as well as essential in helping the world to tackle climate change issues. Our technology is also at the heart of new strategies that will deal with other environmental and resource challenges such as the management of smart grids and water resources.

The key points of Cyan's environmental strategy are to:

- Minimise waste by evaluating operations and ensuring they are as efficient as possible.
- Use products efficiently and actively promote recycling both internally and amongst its customers and suppliers.
- Source and promote a product range to minimise the environmental impact of any production and distribution.
- Meet or exceed all the environmental legislation that relates to the Company.
- Encourage employees to use alternative methods of transport to work other than motor vehicles.
- In territories other than the UK, building out local workforces to reduce carbon footprint with less flying

Cyan strives on encouraging its members of staff to commit to the environment and works with suppliers who:

- are certified ISO14001
- or work towards the protection of the environment

Responsibility:
The ultimate responsibility for Cyan's environmental policy lies with its Board of Directors. The policy is communicated to all employees within the Company via email. It is the responsibility of each employee to follow the rules and procedures the Company has set for its environmental work. The purchasing department is responsible for ensuring all environmental considerations and policies are followed in all purchasing and procurement for the Company.

Health and safety management

The group operates predominantly in an industry and environments which are considered low risk from a health and safety perspective. However the health and safety and welfare of Cyan's employees, contractors and visitors are a priority in Group workplaces worldwide. There are health and safety risks attached to travel to some of the territories with which Cyan is currently engaging in business. Travel advice is always checked on the FCO website prior to employees travelling to any region. Employees are advised to be vigilant while travelling, and keep in regular contact with Cyan Head Office in Cambridge.

Cyan expects the highest of ethical standards of all its employees and its policies and procedures support its stated aim of acting with integrity in all aspects of its operations. The Board as a whole is responsible for health and safety matters. Cyan has a Health and Safety Manager who manages the health and safety of the Company on a day to day basis taking advice from an external firm of health and safety consultants. The board discusses health and safety at all monthly Board meetings. All accidents and incidents are reported to them.

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

John Cronin
Executive Chairman
3 June 2016

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.

Board composition and responsibility

At 31 December 2015 the Board comprised four directors, including the Executive Chairman, the Chief Financial Officer and two independent non-executive directors. Of the four directors in post at 31 December 2015, all had served throughout the year.

Name	Role	In post 1 Jan 2015	In post 31 Dec 2015
Executive			
John Cronin	Executive Chairman	Yes	Yes
Simon Smith	Chief Financial Officer	Yes	Yes
Non-Executive			
Dr John Read	Chairman Audit Committee	Yes	Yes
Harry Berry	Chairman Remuneration Committee	Yes	Yes
Peter Mainz	Non-Executive Director	Yes	No

John Cronin has served as Chairman since the Company's AGM on 17 May 2012 and as a director since his appointment on 20 March 2012 when he was appointed as non-executive director (Chairman – Designate).

Simon Smith has served as Chief Financial Officer since 1 October 2013 and as a director since 29 March 2010 when he was appointed as a non-executive director.

Dr John Read is an independent non-executive director and has taken over as Chairman of the audit committee following Peter Mainz resignation on 31 December 2015. He has served as a non-executive director since his appointment on 30 November 2005 and as Chairman from 3 October 2007 until the role was taken over by John Cronin on 17 May 2012. From 5 January 2012 until 17 May 2012 this role was an executive role.

Harry Berry was appointed to the board on 16 May 2014 as a non-executive director. He is Chairman of the Remuneration Committee and a member of the Nominations Committee.

On 31 December 2015, Peter Mainz stepped down as a non-executive director. This was a requirement following his appointment to the board of Itron, as a result of his fiduciary responsibilities and the US Securities and Exchange Commission Rules.

On 1 January 2016, Paul Ratcliff was appointed as a non-executive director. He is Chairman of the Nominations Committee and a member of the Audit Committee and the Remuneration Committee.

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 to discuss matters that may arise in between formal board meetings. All directors are required to retire by rotation according to the Articles of the Company. No director has a service agreement requiring more than six months' notice of termination to be given.

Corporate Governance Statement (continued)

The Board is satisfied that an appropriate balance of skills and experience has been and remains in place to enable the Board to perform its responsibilities effectively. An overview of the skills and experience of each board member is given above.

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

Board Committees
The Company has an Audit Committee, a Nominations Committee and a Remuneration Committee.

John Read chairs the Audit Committee with Paul Ratcliff being the other member of this committee.

Paul Ratcliff chairs the Nominations Committee, with Harry Berry being the other member of this committee.

Harry Berry chairs the Remuneration Committee with Paul Ratcliff being the other member of this committee.

Board Nominations
The Company has formal procedures for making appointments to the board and these are applied to ensure that any new appointments that might be made meet the desired criteria.

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. Simon Smith is the director responsible for investor relations.

Directors' Report

The directors present their annual report on the affairs of the Group together with the audited financial statements and auditor's report for the year ended 31 December 2015.

Going Concern

To assess the ability of Cyan Holdings plc ("Group") to continue as a going concern, the directors have prepared a business plan and cash flow forecast for the period to 30 June 2017 which, together, represent the directors' best estimate of the future development of the Group. The forecast contains certain assumptions, the most significant of which are the level and timing of sales and the gross margin on those sales, together with the need to secure additional finance. At the time of preparation of this report, the Directors are at an advanced stage in the process of raising additional working capital for the Group together with a potential acquisition as announced on 24 May 2016.

The directors have recognised that the Group is trading principally in five emerging country markets, namely India, Brazil, China, Sub-Saharan Africa and Iran. These markets have an inherent level of uncertainty associated with them and this may result in the predicted level of sales not being achieved and/or the timing of orders being delayed, as has been the case for the Group in the past. The directors have taken reasonable 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 fundamentally uncertain. This may impact both the Group's ability to generate positive cash flow and to raise new finance. Consequently, there is a significant risk that the level of sales achieved is materially lower than the forecast or at materially lower margins. This constitutes a material uncertainty.

Given the commercial prospects at the time of the preparation of this report, together with the prior track record of the Group in raising new equity financing, the directors consider that the Group has a good opportunity to secure the additional funding that will be required. There remains a significant risk that the required level of new funding will not be received in the necessary timescales or at all. This constitutes a material uncertainty.

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 Company was unable to continue as a going concern. In the event the Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets, including stocks, to their recoverable amount and providing for any further liabilities that might arise.

Notwithstanding the material uncertainties described above, the directors have a reasonable expectation that the Company and Group can continue to meet their liabilities as they fall due, for a period of at least 12 months from the date of approval of this report.

Financial Risk Management Objectives and Policies

Details of the Group's financial risk management objectives and policies are disclosed in note 20 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend (2014: £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 Cyan's 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. At 31 December 2015, the Company had one class of ordinary shares of 0.01 pence each, which carried no right to fixed income and represented 100% of the issued share capital of the Company. Each share carried the right to one vote at general meetings of the Company. The Company's capital structure consisted only of issued share capital, which it manages to maximise the return to shareholders.

Directors' Report (continued)

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 31.

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 23.

In accordance with the Companies Act 2006 the Company has no authorised share capital.

Enterprise Investment Scheme (EIS)

Cyan's shares currently qualify under the Enterprise Investment Scheme (EIS) which is a scheme that provides tax incentives in the form of a variety of income tax and capital gains tax reliefs to investors who invest in certain qualifying companies. Since the Company's incorporation, a number of high net worth individuals looking to build tax efficient EIS portfolios have invested in Cyan and received these tax reliefs. Following a number of recent changes to the EIS rules, the Directors have had confirmation from HMRC that the Company's shares do still qualify under this scheme and the Directors expect this to remain the case until certain thresholds under the new rules are reached. The Directors do not expect these thresholds to be met within the twelve months following this report.

Directors and their interests

The directors who served the Company throughout the year, unless otherwise stated, were as follows:

Executive Directors

John Cronin (Executive Chairman)
Simon Smith (Chief Financial Officer)

Non-Executive Directors

Dr John Read
Harry Berry
Peter Mainz – resigned 31 December 2015
Paul Ratcliff - appointed 1 January 2016

Paul Ratcliff was appointed to the board on 1 January 2016. He will therefore retire at the Annual General Meeting in June 2016, and offer himself for re-election. Simon Smith also retires at the next Annual General Meeting and, being eligible, will offer himself for re-election.

The interests of the directors in the shares of the Company are shown in the remuneration committee report on page 29.

Research, Design and Development

The Group is committed to the research, design and development of mesh based flexible solutions for lighting, utility metering and industrial telemetry. The costs relating to this which have been written off in the year, amounted to £3,125,758 (2013: £1,843,213).

Significant Holdings

The Company had been notified of the following voting rights as a shareholder in the Company at 31 December 2015:

	Percentage of voting rights and issued share capital	Number of ordinary shares	Nature of holding
Legal and General	5.84%	397,260,681	Direct
Herald Investment Management Limited	5.51%	375,000,000	Direct

During the period between 31 December 2015 to 3 June 2016, the Company received one notification under Chapter 5 of the Disclosure and Transparency Rules from Herald Investment Management Limited advising of a decrease in voting rights crossing the threshold from 5% to 4%.

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 15 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. The average credit period taken for trade purchases is 23 days (2014: 25 days).

Charitable and Political Donations

Charitable donations for the year were £nil (2014: £nil) and no political donations were made during the year (2014: £nil).

Auditor

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditor 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

John Cronin
Executive Chairman
3 June 2016

Directors' Remuneration Report

Unaudited information

Remuneration committee

The Company has established a Remuneration Committee. Harry Berry is chairman of the Remuneration Committee.

None of the Committee members 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 own remuneration.

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.

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 are entitled to receive certain benefits-in-kind, principally private medical insurance.

Annual bonus payments

The objectives of the remuneration policy are to ensure that the overall remuneration of Executive Directors is aligned with the performance of the Group and preserves an appropriate balance of income and shareholder value. The Executive Directors are eligible to receive a bonus dependent on both individual and Group performance. 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. Bonus payments of £200,750 were made during the year. (2014: £90,000). The Committee has the power to grant bonuses at its discretion.

Directors' Remuneration Report (continued)

Directors' Share options

Full details of the directors' options over ordinary shares of 0.01p are detailed below:

Director	Grant Date	Exercise Price £	As at 31 December 2015 Number	At 31 December 2014 Number
John Cronin	19 December 2013 30 September 2014	0.003 0.0042	76,560,756 101,689,440	76,560,756 101,689,440
			178,250,196	178,250,196
Simon Smith	19 December 2013 30 September 2014	0.003 0.0042	42,006,335 26,149,218	42,006,335 26,149,218
			68,155,553	68,155,553
Harry Berry	28 July 2014 4 December 2014 18 December 2014	0.0038 0.0029 0.0028	5,000,000 7,000,000 22,320,884	5,000,000 7,000,000 22,320,884
			34,320,884	34,320,884

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

Directors' Interests in shares in the Company

Director	Shares	£'000
John Cronin		
As at 1 January 2015	90,242,048	254
Purchased during the period	69,500,000	130
As at 31 December 2015	159,742,048	384
Simon Smith		
As at 1 January 2015	64,766,588	237
Purchased during the period	42,500,000	82
As at 31 December 2015	107,266,588	319
Dr John Read		
As at 1 January 2015	33,484,815	226
Purchased during the period	5,000,000	10
As at 31 December 2015	38,484,815	236
Harry Berry		
As at 1 January 2015	17,714,286	59
Purchased during the period	12,500,000	25
As at 31 December 2015	30,214,286	84
Total		
As at 1 January 2015	206,207,737	776
Purchased during the period	129,500,000	247
As at 31 December 2015	335,707,737	1,023

Pension arrangements

Executive directors are entitled to become members of the Company pension scheme. This is a defined contribution scheme whereby the Company contributes at a rate of 5% of the executive's 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 six months' notice by either party.

Name of Director	Date of contract
John Cronin	20 March 2012
Simon Smith	29 March 2010
Dr John Read	30 November 2005
Harry Berry	16 May 2014
Paul Ratcliff	1 January 2016

Audited information

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	£71,750
Harry Berry	£74,158
Peter Mainz	£30,000

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

As announced in December 2014, Harry Berry took a more substantive role in the Company from December 2014 performing more duties than would normally be covered by a non-executive role. He has continued with these additional duties over the year working additional days as required by the Company, and this has been of great assistance to Cyan due to his knowledge of the Company and breadth of business experience.

Directors' Remuneration Report (continued)

Directors' emoluments

Name of Director	Fees/Basic Salary £	Compensation for loss of office £	Pension contributions £	Annual bonus £	2015 total £	2014 total £
Executive						
John Cronin - salary	12,000	-	-	-	12,000	12,000
John Cronin - consultancy fees current year (Note 1)	183,000	-	-	140,000	323,000	235,476
John Cronin - consultancy fees for prior year services (Note 2)	100,000	-	-	-	100,000	
JOHN CRONIN - TOTAL	295,000	-	-	140,000	435,000	247,476
Simon Smith - current year	120,000	-	7,329	60,000	187,329	123,000
Simon Smith - fees for prior year services (Note 2)	50,000	-	-	-	50,000	-
SIMON SMITH - TOTAL	170,000	-	7,329	60,000	237,329	123,000
Non-Executive						
Dr John Read - current year	30,000	-	-	-	30,000	25,000
Dr John Read - fees for prior year services	41,750	-	-	-	41,750	-
DR JOHN READ - TOTAL	71,750	-	-	-	71,750	25,000
Harry Berry - NED fees	30,000	-	-	-	30,000	30,000
Harry Berry - fees for other services	44,158	-	-	-	44,158	2,416
HARRY BERRY - TOTAL	74,158	-	-	-	74,158	32,416
Peter Mainz	30,000	-	-	-	30,000	15,000
Stephen Newton	-	-	-	-	-	10,417

Included in the figures above is an amount of £497,158, paid to third party companies in respect of directors' services during 2015 (2014:£233,000). Note 1: The amounts paid above for 2015 reflect that John Cronin covers both CEO and Chairman roles and increased his time commitment to the Group from 3 to 4 days per week in January 2015 and again from 4 to 5 days per week in October 2015.

Also included in the figures above are amounts paid to John Cronin, Simon Smith and Dr John Read during the year for additional hours worked on Company duties during 2012-2014 over and above the hours paid out under their service contracts. Success criteria based on securing customer contracts and equity finding were agreed by the Remuneration Committee at that time and these criteria were met during 2015. Note 2: Both John Cronin and Simon Smith used the amounts paid for prior year services above to purchase the Company's shares in the open market in July 2015.

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.

Approval
This report was approved by the board of directors on 3 June 2016 and signed on its behalf by:

Harry Berry
Chairman of the Remuneration Committee

Directors' Responsibility Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent Company financial statements under IFRSs as adopted by the EU. Under Company law the directors must not approve the accounts unless they are satisfied that they give a fair view of the state of affairs of the Company and of profit and loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that the directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose them 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 2006. They are also responsible for safeguarding the assets of the Company and hence 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 corporate and financial information included on the Company's 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

John Cronin
Executive Chairman
3 June 2016

Independent Auditor's report to the members of Cyan Holdings plc

We have audited the financial statements of Cyan Holdings plc for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that if apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2015 of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's report to the members of Cyan Holdings plc (continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of 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 £4,315,693 during the year ended 31 December 2015 and, as of that date, the Group's cash balance was £2,487,365. In making their assessment of whether the application of the going concern assumption is appropriate, the directors have referred to the Company's business plan and cash flow forecast, which assumes a certain level of sales at a certain gross margin and a need in the foreseeable future for additional funding. There is a significant risk that the actual level of sales achieved is materially lower than is assumed in the business plan or that margins may be significantly lower than planned. 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 achieved at all. These conditions, along with other matters in note 3, indicate the existence of a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not contain 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, including inventories, to their recoverable amount and providing for further liabilities that might arise.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Julian Rae
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom
3 June 2016

Consolidated income statement

For the year ended 31 December 2015

	Note	2015 £	2014 £
Continuing operations			
Revenue	5	**272,012**	193,550
Cost of sales		**(161,959)**	(123,099)
Gross profit		**110,053**	70,451
Operating costs		**(5,012,696)**	(3,330,514)
			-
Operating loss		**(4,902,643)**	(3,260,063)
Investment revenue	5,10	**8,282**	5,157
Finance costs	11	**(917)**	(391)
Loss before tax		**(4,895,278)**	(3,255,297)
Tax	12	**(579,585)**	401,334
Loss for the year	7	**(4,315,693)**	(2,853,963)
Loss per share (pence)			
Basic	13	**(0.8)**	(0.1)
Diluted	13	**(0.8)**	(0.1)

Consolidated statement of comprehensive income

For the year ended 31 December 2015

Derived from continuing operations and attributable to the equity owners of the Company.

	2015 £	2014 £
Loss for the year	**(4,315,693)**	(2,853,963)
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	**4,081**	-
Total comprehensive income for the period	**(4,311,612)**	(2,853,963)

Consolidated balance sheet

At 31 December 2015

	Note	2015 £	2014 £
Non-current assets			
Intangible assets	14	**-**	-
Investments	17	**26,308**	-
Property, plant and equipment	15	**29,967**	23,726
		56,275	23,726
Current assets			
Inventories	18	**587,484**	574,530
Trade and other receivables	19	**845,667**	574,248
Cash and cash equivalents	19	**2,461,057**	2,344,344
		3,894,208	3,493,122
Total assets		**3,950,483**	3,516,848
Current liabilities			
Trade and other payables	22	**(747,933)**	(508,290)
Total liabilities		**(747,933)**	(508,290)
Net current assets		**3,146,275**	2,984,832
Net assets		**3,202,550**	3,008,558
Equity			
Share capital	23	**680,320**	446,493
Share premium account	24	**38,085,627**	33,911,618
Own shares held	25	**(808,856)**	(808,856)
Share option reserve	26	**624,411**	522,562
Translation reserve	28	**(145,661)**	(149,742)
Retained losses	27	**(35,233,291)**	(30,913,517)
Total equity being equity attributable to owners of the Company		**3,202,550**	3,008,558

The financial statements of Cyan Holdings plc (registered number 04554942) were approved by the board of directors and authorised for issue on 3 June 2016. They were signed on its behalf by:

John Cronin
Director

Consolidated statement of changes in equity

At 31 December 2015

	Share Capital £	Share Premium £	Own Shares Held £	Share Option Reserve £	Translation Reserve £	Retained Losses £	Total Equity £
Balance at 31 December 2013	**341,638**	**30,570,401**	**(808,856)**	**376,690**	**(149,742)**	**(28,059,554)**	**2,270,577**
Loss for the year	-	-	-	-	-	(2,853,963)	**(2,853,963)**
Total comprehensive income for the year	-	-	-	-	-	(2,853,963)	**(2,853,963)**
Issue of share capital	104,855	3,341,217	-	-	-	-	**3,446,072**
Credit to equity for share options	-	-	-	145,872	-	-	**145,872**
Balance at 31 December 2014	**446,493**	**33,911,618**	**(808,856)**	**522,562**	**(149,742)**	**(30,913,517)**	**3,008,558**
Loss for the year	-	-	-	-		(4,319,774)	**(4,319,774)**
Other comprehensive income for the year	-	-	-	-	4,081	-	**4,081**
Total comprehensive income for the year	-	-	-	-	4,081	(4,319,774)	(4,315,693)
Issue of share capital	233,827	4,174,009	-	-	-	-	**4,407,836**
Credit to equity for share options	-	-	-	101,849	-	-	**101,849**
Balance at 31 December 2015	**680,320**	**38,085,627**	**(808,856)**	**624,411**	**(145,661)**	**(35,233,291)**	**3,202,550**

Company balance sheet

At 31 December 2015

	Note	2015 £	2014 £
Non-current assets			
Intangible assets	14	**-**	-
Investments in subsidiaries	16, 32	**597,713**	442,513
		597,713	442,513
Current assets			
Trade and other receivables	19	**153,511**	186,786
Cash and cash equivalents	19	**2,029,568**	2,114,685
		2,183,079	2,301,471
Total assets		**2,780,792**	2,743,984
Current liabilities			
Trade and other payables	22	**(34,964)**	(83,653)
Total Liabilities		**(34,964)**	(83,653)
Net current assets		**2,148,115**	2,217,818
Net assets		**2,745,828**	2,660,331
Equity			
Share capital	23	**680,320**	446,493
Share premium account	24	**38,085,627**	33,911,618
Share option reserve	26	**624,411**	522,562
Retained losses	27	**(36,644,530)**	(32,220,342)
Total equity		**2,745,828**	2,660,331

The financial statements of Cyan Holdings plc (registered number 04554942) were approved by the Board of Directors and authorised for issue on 3 June 2016. They were signed on its behalf by

John Cronin
Director

Company statement of changes in equity

At 31 December 2015

	Share Capital £	Share Premium £	Share Option Reserve £	Retained Losses £	Total Equity £
Balance at 31 December 2013	**341,638**	**30,570,401**	**376,690**	**(29,429,717)**	**1,859,012**
Loss for the year	-	-	-	(2,790,625)	**(2,790,625)**
Total comprehensive income for the year	-	-	-	(2,790,625)	**(2,790,625)**
Issue of share capital	104,855	3,341,217	-	-	**3,446,072**
Credit to equity for share options	-	-	145,872	-	**145,872**
Balance at 31 December 2014	**446,493**	**33,911,618**	**522,562**	**(32,220,342)**	**2,660,331**
Loss for the year	-	-	-	(4,424,188)	**(4,424,188)**
Total comprehensive income for the year	-	-	-	(4,424,188)	**(4,424,188)**
Issue of share capital	233,827	4,174,009	-	-	**4,407,836**
Credit to equity for share options	-	-	101,849	-	**101,849**
Balance at 31 December 2015	**680,320**	**38,085,627**	**624,411**	**(36,644,530)**	**2,745,828**

Consolidated cash flow statement

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Net cash outflow from operating activities	29	**(4,236,638)**	(2,713,621)
Investing activities			
Interest received		**8,281**	5,157
Purchases of property, plant and equipment		**(35,541)**	(29,022)
Purchases of bank securities		**(26,308)**	-
Net cash used in investing activities		**(53,568)**	(23,865)
Financing activities			
Interest paid		**(918)**	(391)
Proceeds on issue of shares		**4,678,103**	3,655,275
Share issue costs		**(270,266)**	(209,203)
Net cash from financing activities		**4,406,919**	3,455,681
Net increase in cash and cash equivalents		**116,713**	708,195
Cash and cash equivalents at beginning of year		**2,344,344**	1,636,149
Cash and cash equivalents at end of year		**2,461,057**	2,344,344

Company cash flow statement

For the year ended 31 December 2015

	2015 £	2014 £
Loss for the year	**(4,424,188)**	(2,790,624)
Adjustment for:		
Share based payment expenses	**-**	(26,841)
Operating cash flows before movement in working capital	**(4,424,188)**	(2,817,465)
Decrease / (Increase) in receivables	**33,274**	(9,741)
(Decrease) / Increase in payables	**(48,689)**	24,512
Net cash outflow from operating activities	**(4,439,603)**	(2,802,694)
Investing activities		
Purchase of investment	**(53,351)**	-
Net cash outflow from investing activities	**(53,351)**	-
Financing activities		
Proceeds on issue of shares	**4,678,103**	3,655,274
Share issue costs	**(207,266)**	(209,203)
Net cash from financing activities	**4,407,837**	3,446,071
Net (decrease) / increase in cash and cash equivalents	**(85,117)**	643,377
Cash and cash equivalents at beginning of year	**2,114,685**	1,471,308
Cash and cash equivalents at end of year	**2,029,568**	2,114,685

Notes to the Financial Statements

1. General information

Cyan Holdings plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Cyan Holdings plc, Buckingway Business Park, Swavesey, Cambridge, CB24 4UQ. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 11.

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

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards affecting the reported results or the financial position

In the current year, there were no new and revised Standards and Interpretations that have been adopted and which affected the amounts reported in these financial statements.

Standards not affecting the reported results or the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Annual Improvements to IFRSs: 2011-13 Cycle (Dec 2013)	Annual Improvements to IFRSs: 2011-13 Cycle
Amendments to IAS 19 (Nov 2013)	Defined Benefit Plans: Employee Contributions
Annual improvements to IFRSs: 2010 - 2012 Cycle (Dec 2013)	Annual improvements to IFRSs: 2012-2012 Cycle

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not 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):

Amendments to IAS 12 (Jan 2016)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 16	Leases
Amendments to IFRS 10, IFRS 12 and IAS 28 (Dec 2014)	Investment Entities: Applying the Consolidation Exception
Amendments to IAS 1 (Dec 2014)	Disclosure Initiative
Annual Improvements to IFRSs: 2012-2014 Cycle (Sept 2014)	Annual Improvements to IFRSs: 2012-2014 Cycle
Amendments to IAS 27 (Aug 2014)	Equity Method in Separate Financial Statements
IFRS 9	Financial Instruments
Amendments to IAS 16 and 1AS 41 (Jun 2014)	Agriculture: Bearer Plants
IFRS 15	Revenue from Contracts with Customers
Amendments to IAS 16 and IAS 38 (May 2014)	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 11 (May 2014)	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts

Notes to the Financial Statements (continued)

2. Adoption of new and revised Standards (continued)

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods. IFRS 15 may have an impact on revenue recognition and related disclosures however it is not practicable to provide a reasonable estimate of the effect of this standard until a detailed review has been completed. IFRS 10 will only impact disclosures of Consolidated Financial Statements and IFRS 12 will impact the disclosures of interests in Other Entities.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

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 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

To assess the ability of Cyan Holdings plc ("Group") to continue as a going concern, the directors have prepared a business plan and cash flow forecast for the period to 30 June 2017 which, together, represent the directors' best estimate of the future development of the Group. The forecast contains certain assumptions, the most significant of which are the level and timing of sales and the gross margin on those sales, together with the need to secure additional finance.

The directors have recognised that the Group is trading principally in five emerging country markets, namely India, Brazil, China, Iran and Sub-Saharan Africa. These markets have an inherent level of uncertainty associated with them and this may result in the predicted level of sales not being achieved and/or the timing of orders being delayed, as has been the case for the Group in the past. The directors have taken reasonable 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 fundamentally uncertain. This may impact both the Group's ability to generate positive cashflow and to raise new finance. Consequently there is a significant risk that the level of sales achieved is materially lower than the forecast or at materially lower margins. This constitutes a material uncertainty.

Given the commercial prospects at the time of the preparation of this report, together with the prior track record of the Group in raising new equity financing, the directors consider that the Group has a good opportunity to secure the additional funding that will be required. There remains a significant risk that the required level of new funding will not be received in the necessary timescales or at all. This constitutes a material uncertainty.

3. Significant accounting policies (continued)

Going concern (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 Company was unable to continue as a going concern. In the event the Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets, including stocks, to their recoverable amount and providing for any further liabilities that might arise.

Notwithstanding the material uncertainties described above, the directors have a reasonable expectation that the Company can continue to meet their liabilities as they fall due, for a period of at least 12 months from the date of approval of this report.

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 when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

Revenue recognition

Turnover 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.

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

Revenue recognition (continued)

Turnover from the sale of goods is recognised when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of turnover can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover associated with the sale of services is recognised by reference to the stage of completion of the transaction at the reporting date when the outcome of a transaction involving the rendering of services can be estimated reliably.

The outcome of a transaction can be reliably estimated when all of the following conditions are satisfied:

- The amount of turnover can be reliably measured;
- It is probable that economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Turnover from the sale of multi-element contracts, where Cyan is responsible for delivering a full end to end solution and gets paid based on the achievement of milestones, must be broken down into separate identifiable elements. The categories are:

- Hardware
- Software licences and associated annual maintenance charges.
- Services
- DCU's and Head End Server (HES), including installation.

Revenue associated with DCU's and HES is bundled together and recognised on a stage of completion basis. If further DCU's are purchased after the HES has been installed these are recognised in line with standard hardware sales.

Once a multi-element contract has been allocated between the categories, the agreed revenue recognition principles are applied to each category to determine the revenue recognition profile of the contract.

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 Group, 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.

3. Significant accounting policies (continued)

Foreign currencies (continued)

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. At year end there were employers pension contributions provided for but not paid of £113,288 (2014: £99,000).

Taxation

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

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.

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

Taxation (continued)

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%

At each balance sheet date, the Directors review the carrying value of the Group's tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. If the recoverable amount of the asset is less than its carrying amount, an impairment loss is recognised against the asset.

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.

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 arises 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 useful 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.

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 uncollectable, 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.

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Warrants

Warrants are accounted for under IFRS 2 Share based payment where services have been received or are to be received from 3rd party service providers. Otherwise, no accounting entries are posted.

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 and cash-settled share-based payments to certain employees and third party suppliers. 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.

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 £4,424,188 (2014: £2,790,624). As permitted by section 408 of the Companies Act 2006, 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.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

- 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.
- Note 3 describes the Company policy on revenue recognition. In 2015, a large contract was assessed and determined to have loss making elements. Management were required to consider the correct revenue recognition treatment on the project as a result of these anticipated losses. In making its judgement, management considered detailed criteria for the recognition of revenue on projects with loss making elements as set out in IAS 18. Revenue recognised on the project in 2015 has been reduced in line with the guidance in IAS 18 to provide for the anticipated losses.
- Inventories include stocks of raw materials and finished goods that the directors believe will be sold within the period to December 2015 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 sales forecasts have been provided against in full.

Key Sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Share-based payments

The cost of employee services received (compensation expenses) in exchange for awards of equity instruments are recognized based upon the grant date fair value of stock options and stock. The grant date fair value of stock options is estimated using a Black-Scholes option valuation model. This Black-Scholes option valuation model requires the use of assumptions, including expected stock price volatility, the estimated life of each award and the estimated dividend yield. See Note 31 for further details re the assumptions used in the pricing model.

5. Revenue

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

Continuing Operations

	2015	2014
	£	£
Sale of goods	**202,375**	193,550
Sale of services	**69,637**	-
Bank Interest	**8,282**	5,157
Total revenue	**280,294**	198,707

Notes to the Financial Statements (continued)

6. Business and geographical segments

The Group has concluded that it operates only one business segment as defined by IFRS 8. The information used by the Group's chief operating decision maker to make decisions about the allocation of resources and assessing performance is presented on a consolidated Group basis. Accordingly no segmental analysis is presented. This may change in the future as the Group's business develops further.

During 2015 there were 3 customers (2014: 4) whose turnover accounted for more than 10% of the Group's total revenue as follows:-

	Turnover	Percentage of Total
	£	%
Customer A	90,026	33
Customer B	45,702	17
Customer C	45,352	16

Due to commercial sensitivity the names of the above customers have not been disclosed.

During 2015 revenue split between the UK and other countries for sale of goods was as follows:

	2015		2014	
	Turnover £	**Percentage of Total %**	Turnover £	Percentage of Total %
Europe	**65,678**	**24.2**	21,962	11.3
Asia	**152,156**	**55.9**	-	-
Rest of World	**54,178**	**19.9**	171,588	88.7
	272,012		193,550	

7. Loss for the year

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

	2015 £	2014 £
Net foreign exchange losses / (gains)	**10,835**	(16,845)
Research and development costs	**3,125,758**	1,843,213
Depreciation of property, plant and equipment	**29,300**	9,171
Release of provision for stock obsolescence	**(3,795)**	(11,060)
Staff costs (see note 9)	**2,428,762**	1,696,612
Operating lease costs (see note 30)	**124,402**	78,251
Cost of inventories recognised as an expense	**127,572**	121,828

8. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2015	2014
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**23,000**	20,309
Fees payable to the Company's auditor and its associates for the other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	**10,000**	10,000
Fees payable to the Company's auditor for accounting advice	**5,000**	-
Total audit fees	**38,000**	30,309
- Other services pursuant to legislation	**3,700**	5,950
Total non-audit fees	**3,700**	5,950

9. Employee information

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

	2015	2014
	Number	Number
Sales and administration	**20**	14
Research and development	**10**	11
Operations and logistics	**1**	2
	31	27

	2015	2014
	£	£
Their aggregate remuneration comprised:		
Wages and salaries	**2,132,636**	1,521,558
Social security costs	**179,494**	129,192
Other pension costs	**116,632**	45,862
	2,428,762	1,696,612

Key management compensation

The directors are of the opinion that key management personnel during 2015 comprised of the Board of Directors, the Company Secretary, the Chief Technology Officer, the VP Asia and the VP Operations and Development. These persons had the authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration of these personnel for 2015 is detailed below. During 2014 key management personnel comprised of the Board of Directors, the Company Secretary, the VP ROW, the Chief Operating Officer and the Product Director.

Notes to the Financial Statements (continued)

9. Employee Information (continued)

	2015 £	2014 £
Their aggregate remuneration comprised:		
Wages and salaries	**1,102,880**	783,923
Social security costs	**73,683**	51,995
Other pension costs	**91,162**	17,313
	1,267,725	853,231

Specific details of director's remuneration are included in Remuneration Committee Report within this Annual Report.

10. Investment revenue

	2015 £	2014 £
Interest revenue:		
Bank deposits	**8,282**	5,157

Investment revenue is all earned on cash and cash equivalents.

11. Finance costs

	2015 £	2014 £
Interest on bank overdrafts and loans	**917**	391

12. Tax

	2015 £	2014 £
Current tax:		
UK corporation tax on profits of the period	**(579,585)**	(401,334)
Deferred tax (note 20)	**-**	-
Total current tax charge / (credit)	**(579,585)**	(401,334)

Corporation tax is calulated at 20.25 per cent (2014: 21.5 per cent) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

12. Tax (continued)

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

	2015	2014
	£	£
Loss before tax	**(4,895,278)**	(3,255,297)
A standard rate of 20.25% (2014: 21.5%)	**(991,294)**	(699,889)
Effects of:		
Expenses not deductible for tax purposes	**21,835**	29,390
Tax effect of capital allowances in (excess) / deficit of depreciation	**(5,289)**	(9,687)
Enhanced R&D expenditure	**(455,602)**	(347,947)
Losses surrendered for R&D tax credit	**809,420**	626,305
Tax effect of other unrecognised temporary differences	**3,825**	1
Unrelieved tax losses and other deductions in the period	**617,105**	424,481
Other short term timing differences	**-**	(22,654)
Research and development tax credit receivable - current year	**(579,585)**	(401,334)
Actual current tax credit in the year	**(579,585)**	(401,334)

Factors affecting tax charge in future years

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. The unrecognised deferred tax asset at the balance sheet date has been calculated at 18% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

13. Loss per share

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

Loss

	2015	2014
	£	£
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent	**4,315,693**	2,860,711

Number of shares

	2015	2014
	No.	No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**5,631,383,257**	3,279,766,136

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Notes to the Financial Statements (continued)

14. Intangible assets

No intangible assets are held at valuation in these accounts.

	Software	
	Group	**Company**
	£	**£**
Cost		
At 1 January 2014, 1 January 2015 and 31 December 2015	143,964	143,964
Amortisation		
At 1 January 2014, 1 January 2015 and 31 December 2015	143,964	143,964
Carrying amount		
At 31 December 2015	-	-
At 31 December 2014	-	-

15. Property, plant and equipment

No assets are held at valuation in these accounts.

Group

	Fixtures and equipment £
Cost	
At 1 January 2014	282,742
Additions	29,022
At 1 January 2015	311,764
Additions	35,541
At 31 December 2015	**347,305**
Accumulated Depreciation	
At 1 January 2014	278,867
Charge for the year	9,171
At 1 January 2015	288,038
Charge for the year	29,300
At 31 December 2015	**317,388**
Carrying Amount	
At 31 December 2015	**29,967**
At 31 December 2014	**23,726**

At 31 December 2015 the Group had no contractual commitments outstanding for the acquistion of property, plant and equipment (31 December 2014: £nil)

16. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 32.

17. Fixed Asset Investments

	2015	2014
	£	£
Bank securities	**26,308**	-

The Company held no bank securities at either balance sheet date.

18. Inventories

Group

	2015	2014
	£	£
Raw materials	**248,197**	193,785
Finished goods	**339,287**	380,745
	587,484	574,530

The Company holds no inventories at either balance sheet date.

19. Trade and other receivables and 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 £2,520,106 (2014: £2,411,478). Those of the Company include loans and cash and cash equivalents and total £2,029,568 (2014: £2,114,685).

Trade and other receivables

	Group		Company	
	2015	2014	**2015**	2014
	£	£	**£**	£
Amount receivable for the sale of goods	**32,741**	67,134	**-**	-
Corporation tax receivable	**582,689**	401,334	**-**	-
Other debtors	**134,125**	45,922	**11,495**	8,347
EBT loan	**-**	-	**109,060**	138,803
Prepayments	**96,112**	59,858	**28,836**	39,636
Loans to other group entities	**-**	-	**4,120**	-
	845,667	574,248	**153,511**	186,786

During the year nothing was written off the value of the carrying amount of trade and other receivables (2014: £nil).

The directors consider that the carrying amount of trade and other receivables at 31 December 2015 approximates to their fair value.

Amounts receivable from the Group undertakings are shown in note 32.

Cash and cash equivalents

	Group		Company	
	2015	2014	**2015**	2014
	£	£	**£**	£
Cash and cash equivalents	**2,461,057**	2,344,344	**2,029,568**	2,114,685

Notes to the Financial Statements (continued)

19. Trade and other receivables and financial assets (continued)

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.

Barclays Bank plc have given a guarantee in respect of £10,000 to HMRC on behalf of Cyan Technology Limited. As security for this guarantee, Barclays hold a legal charge over a deposit account held specifically for this purpose for £10,000.This cash cannot be used for any other purposes.

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 2015 or 31 December 2014 and consequently no sensitivity analysis is presented.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and cash, the credit risk on other classes of financial asset is insignificant. The amounts presented in the balance sheet are net of 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.

At 31 December 2015 the Group had no significant concentration of credit risk, with exposure being both small in quantum and spread over a number of counterparties and customers.

There are £7,988 of debtors which were past due at the reporting date and not impaired (2014: £4,570). £1,926 is 0-90 days overdue (2014: £4,006) and £6,062 is over 90 days overdue (2014: £564); the remaining balance is not yet due. There was no allowance for doubtful debts at 31 December 2015(2014: £nil). There were no bad debt charges for the year (2014: £nil). The Company has made a provision against the full amount of the debt owed to it by its subsidiary company Cyan Technology Ltd totalling £33,850,190 (2014: £29,408,122). In addition, the Company has made a provision of £29,743 (2014: £669,767) against the debt owed to it by Cyan Technology Limited relating to the loan for EBT shares, to bring the loan in line with market value of the shares held in the Trust. 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 of the Group is attributable to the sales level at the current business development stage not being able to generate sufficient cash flows to support required working capital. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows.

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 £3.8m (2014: £3.7m) 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 £117,976 (2014: £118,215) and those of the Company totalled £8,662 (2014: £38,728).

Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	£	£	**£**	£
Trade payables and accruals	**747,933**	508,290	**34,964**	83,653
	747,933	508,290	**34,964**	83,653

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 23 days (2014: 25 days). The Group has not incurred interest charges for late payment of invoices during the year (2014: £nil). The Group has financial risk management policies in place to ensure that all payables are paid within agreed credit timeframes.

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.

23. Share capital

	2015	2014
	£	£
Issued and fully paid: 6,802,451,764 ordinary shares of 0.01 pence each (2014: 4,464,176,891 ordinary shares of 0.01 pence each)	**680,320**	446,493

On 1 July 2015 the Company completed a placing the result of which was 2,305,000,000 ordinary shares of 0.01 pence per share being issued at a price of 0.2 pence per share to raise £4.6M before expenses. The funds from the placings were raised to develop and execute on the Group's strategy.

During 2015, invoices for certain suppliers were settled by way of share issues. The number of shares issued for this purpose during 2015 was 32,783,088 (2014: 49,694,326). Ordinary shares of 0.01 pence per share were issued at a price of 0.2 pence per share to raise £67,663.

During 2015, certain employees chose to recieve shares in lieu of part of their salary. The number of shares issued for this purpose during 2015 was 491,785 (2014: 3,095,424). Ordinary shares of 0.01 pence per share were issued at a price of 0.3 pence per share to raise £1,440.

No shares were issued as a result of the exercise of share options (2014: none)

The Company has one class of ordinary share which carries no right to fixed income.

Notes to the Financial Statements (continued)

24. Share premium account

	Group £	Company £
Balance at 1 January 2014	30,570,401	30,570,401
Premium arising on issue of equity shares	3,550,420	3,550,420
Expenses of issue of equity shares	(209,203)	(209,203)
Balance at 31 December 2014	33,911,618	33,911,618
Premium arising on issue of equity shares	4,444,275	4,444,275
Expenses of issue of equity shares	(270,266)	(270,266)
Balance at 31 December 2015	**38,085,627**	**38,085,627**

25. Own shares held

	Group £
Balance at 31 December 2014 and 31 December 2015	**(808,856)**

This is related to the shares issued to the Employee Benefit Trust (see details in Directors' Remuneration Report).

26. Share option reserves

	Group £	Company £
Balance at 1 January 2014	376,690	376,690
Movement in the year	145,872	145,872
Balance at 31 December 2014	552,562	552,562
Movement in the year	101,849	101,849
Balance at 31 December 2015	**624,411**	**624,411**

Share option reserve arises from the share options issued to the employees of the Group. The movement during the year is mainly due to the forfeiture of share options issued in prior years.

27. Retained earnings

	Group £	Company £
Balance at 1 January 2014	(28,059,554)	(29,429,717)
Net loss for the year	(2,853,963)	(2,790,625)
Balance at 31 December 2014	(30,913,517)	(32,220,342)
Net loss for the year	(4,319,774)	(4,424,188)
Balance at 31 December 2015	**(35,233,291)**	**(36,644,530)**

28. Translation Reserve

	Group £
Balance at 1 January 2014	(149,742)
Exchange differences on translation of foreign operations	-
Balance at 1 January 2015	(149,742)
Exchange differences on translation of foreign operations	4,081
Balance at 31 December 2015	(145,661)

Translation reserve arises from retranslating the financial results of the foreign subsidiary which are consolidated into the Group's consolidated financial statements.

29. Notes to the consolidated cash flow statement

	2015 £	2014 £
Operating loss for the year:	**(4,902,643)**	(3,260,063)
Adjustments for:		
Depreciation of property, plant and equipment	**29,300**	9,171
Share-based payment expense	**101,849**	145,872
Operating cash flows before movements in working capital	**(4,771,494)**	(3,105,020)
(Increase)/ decrease in inventories	**(12,954)**	8,670
Increase in receivables	**(93,167)**	(97,255)
Increase in payables	**239,643**	209,849
Cash reduced by operations	**(4,637,972)**	(2,983,756)
Income taxes received	**401,334**	270,135
Net cash outflow from operating activities	**(4,236,638)**	(2,713,621)

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.

30. Operating lease arrangements

The Group as a lessee

	2015 £	2014 £
Minimum lease payments under operating leases recognised as an expense in the year	**124,402**	78,251

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:

	2015 £	2014 £
Within one year	**49,752**	41,308

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.

Notes to the Financial Statements (continued)

30. Operating lease arrangements (continued)

The Company as a lessee

	2015	2014
	£	£
Minimum lease payments under operating leases recognised as an expense in the year	**65,814**	66,725

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

	2015	2014
	£	£
Within one year	**32,570**	36,990

31. 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 4 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.

	2015		2014	
	Number of share options	**Weighted average exercise price (in £)**	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	**605,229,390**	**0.004**	335,607,088	0.006
Granted during the period	**123,415,843**	**0.003**	310,454,705	0.004
Forfeited during the period	**(88,396,990)**	**0.004**	(40,832,403)	0.003
Oustanding at the end of the period	**640,248,243**	**0.003**	605,229,390	0.004
Exercisable at the end of the period	**190,987,624**	**0.004**	83,279,016	0.004

The options outstanding at 31 December 2015 had a weighted average exercise price of £0.004 and a weighted average remaining contractual life of 99 months. In 2015, options were granted on 9 and 22 January, 21 July and 1 December. The aggregate of the estimated fair values of those options is £121,410. In 2014, options were granted on 1 July, 28 July, 30 September and 2, 4, 18 and 22 December. The aggregate of the estimated fair values of those options is £1,117,716.

31. Share-based payments

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

	2015	2014
Weighted average share price	**0.26p**	0.26p
Weighted average exercise price	**0.35p**	0.33p
Expected volatility	**72%**	77%
Expected life	**4 years**	4 years
Risk free rate	**0.50%**	0.49%
Expected divident yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 36 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 £101,849 and £145,872 related to equity-settled share-based payment transactions in 2015 and 2014 respectively.

Warrants

The Company issues share warrants, either in connection with the issue of equity or for the service received from third parties. Warrants are issued at a fixed price and for a fixed number of shares, such that each warrant entitles the holder to subscribe for one Ordinary Share in the Company. All share warrants vest immediately on issue.

Details of the share warrants outstanding during the year are as follows:

	2015		2014	
	Number of warrants	**Weighted average exercise price (in £)**	Number of warrants	Weighted average exercise price (in £)
Outstanding at beginning of period	**552,302,635**	**0.004**	12,981,750	0.004
Granted during the period	**24,174,000**	**0.006**	539,320,885	0.006
Expired during the period	**(551,174,001)**	**-**	-	
Exercised during the period	**-**	**-**	-	
Outstanding at the end of the period	**25,302,634**	**0.006**	552,302,635	0.006
Exercisable at the end of the period	**8,561,971**	**0.006**	552,302,635	0.006

The fair value of the warrants accounted for in accordance with IFRS2 'Share based payments' is measured by use of the Black-Scholes option pricing model.

Notes to the Financial Statements (continued)

31. Share-based payments (continued)

The inputs into the Black Scholes model are as follows:

	2015	2014
Weighted average share price	**0.30p**	0.50p
Weighted average exercise price	**0.30p**	0.40p
Expected volatility	**72%**	77%
Expected life	**4 years**	4 years
Risk free rate	**0.50%**	0.49%
Expected dividend yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 36 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.

32. Related party transactions

Investment in subsidaries

	Company 2015 £	Company 2014 £
As at 1 January	**442,513**	307,787
Capital decrease in respect of share based payments	**101,849**	134,726
Investment in Cyan Technology India Private Limited	**53,351**	-
At at 31 December	**597,713**	442,513

Included in the figure of £597,713 above is an amount of £2,000 (2014: £2,000) relating to the investment held by Cyan Holdings plc in Cyan Technology Ltd. In 2015 an investment of £53,351 was made by Cyan Holdings Plc in Cyan Technology India Private Ltd. The remaining amount is a capital contribution amounting to £542,362 (2014: £440,513), which relates to the share compensation charge in respect of share options granted in the Company on behalf of employees in Cyan Technology Limited. The movement in 2015 £101,849 related to a credit to the share option reserve which was mainly as a result of share option charges put through in previous periods relating to shares in the Employee Benefit Trust that expired during the year.

During the period, the Group and Company paid £497,158 (2014: £233,000) in respect of executive director services.

32. Related party transactions (continued)

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 Wales 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 Groups' range of products • The Company's results are consolidated into these accounts
Cyan Technology India Private Limited	• 100% of the issued capital of the Company is held by Cyan Holdings plc • The Company is incorporated in India and has an accounting period ending 31 March • The principal activity of the Company is to provide a sales and marketing service for the Groups' range of products in India. The Company was incorporated on 20 January 2015 • The Company's results for the period ending 31 December 2015 are consolidated into these accounts

Company

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

	2015 **£**	2014 £
Loans to related parties		
Cyan Technology Limited	**33,850,190**	29,408,122
Cyan Technology India Private Limited	**4,120**	-
	33,854,310	29,408,122

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 2015 these amounted to £324,833 (2014: £250,248).

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