Cyan Holdings plc
Annual Report and Accounts 2014

Overview

Cyan provides smart energy solutions for the utility and lighting markets.

Cyan's core technology is a platform for the rapid and cost effective deployment of smart grid metering and energy efficient smart lighting. This includes CyNet™, a wireless mesh networking protocol for scalable and secure communication with remote units as well as Cyan's enterprise software for full end-to-end system integration.

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.

Contents

cyan

www.cyantechnology.com

Highlights

Operational highlights

- Commercial orders from Tata Power Mumbai and Essel Utilities in India
- Signed a teaming agreement with Vodafone Machine to Machine ("M2M")
- Participated in multiple pilots across India and Brazil
- Received an order for smart street lighting solutions in China
- Grew potential reach to Sub-Saharan Africa
- Increased eco-system of partners in target markets across the globe
- John Cronin agreed to take a more substantive role at Cyan in the Executive Chairman position
- Strengthened Board of Directors with appointments of Peter Mainz and Harry Berry
- Strengthened sales and marketing team with appointment of industry expert Mark Coyle
- Received the Frost and Sullivan Technology Innovation Leadership award

Financial highlights

	2014 £	**2013 £**	**Percentage change**
Revenue	193,550	137,996	+40%
Research and development expenditure	1,843,213	1,479,335	+25%
Operating loss	3,260,063	3,266,757	0%
Cash and cash equivalents	2,344,344	1,636,149	+43%
New funding raised (gross)	3,500,000	2,600,000	+35%

Post period end highlights

- Received a smart metering purchase order worth approximately £1m for a publicly owned Indian utility
- Further strengthened sales and marketing team with appointment of industry expert Vikas Kashyap
- Confirmed presence in South Africa through distribution agreement and proof of concept order
- Announced that Tata Power in India have successfully deployed the Cyan smart metering solution
- Named winner of the Innovation of the Year Award
- Submitted R&D tax credit cash refund claim of £401,334 (2013: £270,135)
- Wholly owned subsidiary incorporated in India (Cyan Technology India Private Limited)

Chairman's Statement

"During 2014 and post period end, we have successfully built and consolidated our position in multiple emerging markets. We have won multiple contracts in India for the commercial deployment of Cyan's smart metering technology and recently reported that the Tata Power smart metering project has been successful. The Cyan Board and management team have been significantly strengthened and we are now firmly established as a leader in our chosen markets. Over the next twelve months, we expect the rate of adoption of smart metering and smart lighting technology to accelerate in our chosen markets and we remain very well placed to profit from this."

Review of the year

2014 proved to be a pivotal period for Cyan as we continued to benefit from incremental orders while strengthening existing relationships with a view to securing further commercial contracts.

The flexibility of our product offering and our ability to attract high caliber regional partners, combined with the fact that we secured commercial orders for our smart metering and lighting technology, resulted in 2014 being our strongest year to date. Importantly, geographic expansion further diversified our commercial opportunity base.

During 2014 (and post period–end) we received full smart metering orders from public and privately owned utilities in India, signed a teaming agreement with Vodafone M2M, participated in multiple pilots across India and Brazil, received an order for street lighting solutions in China as well as growing our potential reach into Sub-Saharan Africa.

We also benefited from an increased customer focus on the more advanced Advanced Metering Infrastructure ("AMI") (rather than Automated Meter Reading ("AMR")) solutions as well as winning our first retrofit order in India and our first retrofit pilot in Brazil.

We strengthened our sales and marketing team during the year (and post period-end) with a view to further building a local presence and enabling us to develop and manage strategic relationships while capturing new sales opportunities for smart energy solutions and Internet of Things ("IoT") applications.

Reflecting our growing presence across India and China we welcomed Chinese Minister, Counsellor Zhou, to our Cambridge office in March 2014 while I participated in a Round Table Event with Mr. P K Sinha, Secretary of Ministry of Power, Government of India in October 2014.

As a result of our strong efforts during the year we were named winner of the Innovation of the Year Award at the 6th annual Smart Energy UK & Europe Awards for our CyLec® smart metering solution as well as winning the Frost and Sullivan 2014 award for Technology Innovation Leadership.

Financial Review

During 2014, the company raised £3.5 million before expenses, by way of share placings This income provided the Company incremental financial resources for general working capital, customer support activities in India and other developing countries and further development to integrate Cyan's AMI solution into high level enterprise software.

Revenue increased from £137,996 in 2013 to £193,550 in 2014. Operating loss for the year ended 31 December 2014 was £3,260,063 (2013: £3,266,757) and net loss decreased to £2,853,963 (2013: £2,992,195) following an increase in R&D tax credit. Cash at year end was £2,344,344 (2013: £1,636,149).

Chairman's Statement (continued)

Pilot Deployments

In December 2014 we received a purchase order for 1,000 CyLec retrofit modules, 25 CyLec Data Concentrator Units and other smart meter components in Brazil. This was as a result of our strategic partner, Nobre de la Torre ("Nobre"), deciding to manufacture and stock enough bespoke retrofit units for planned pilots with Tier 1 Brazil utilities. It will also enable Nobre to fulfil smaller orders on short notice across the country.

This order followed two pilots with different Tier 1 utilities in Brazil (in March 2014 and August 2014). There is significant potential to grow our presence in Brazil where the smart meter market revenues are expected to increase tenfold from $36m in 2013 to $432m by 2020 according to GlobalData's 2014 report.

Commercial orders

There is a significant opportunity for us to build on ongoing pilots in India, highlighted by commercial orders from end customers Tata Power Mumbai ("Tata") and Essel Utilities ("Essel") during the period. Importantly both companies serve large customer bases across India.

In July 2014 we announced that a consortium led by Larsen & Toubro ("L&T") had been selected by Tata for the deployment of Cyan's CyLec® AMI solution in India. The initial contract with Tata is for the deployment of 5,000 consumer meters in a district in Mumbai, where around 4,000 meters are now live with the remainder expected to be completed before the end of Q2 2015. This order followed our first retrofit order from Essel for 5,000 retrofit modules, each containing Cyan's CyLec 865MHz RF device, highlighting our growing strength and strong ecosystem throughout the region. Given the size and scale of both Tata and Essel's customer bases the Company hopes that the success of the initial implementation at Tata will serve as strong reference point to further develop these relationships.

We also strengthened our position in China during the period, receiving a purchase order for 15,000 Cyan smart lighting control modules from our China lighting solutions distributor, Aska Technology Limited ("Aska") during July 2014, just three months after signing a distribution agreement with them. We see huge scope for growth in the smart lighting sector across all of our target markets and are excited by the prospects of opening up new potential revenue streams as the industry develops.

Eco-system of Partners

As evidenced by the increased levels of commercial and pilot orders received during the period we already have a strong eco-system of partners in place. This was strengthened further last year as we focused on growing our channels to market. In September 2014 we announced a Memorandum of Understanding with Innologix Consulting Pvt Ltd ("Innologix") to enter into a non-exclusive partnership to develop, market and deploy managed smart metering solutions across India.

This followed similar agreements with global meter vendors El-Sewedy, Ecolibrium Energy and GridSense. In addition we signed a teaming agreement with Vodafone's M2M team to create joint propositions, develop pportunities and submit proposals to customers to enable either party to address the smart metering market in India.

With a view to widening our geographical reach we signed a non-exclusive Partnership Agreement with Dinsmore & Associates ("D&A") in August 2014. D&A will focus on identifying opportunities for development across the sub-Saharan market. The benefits of this partnership have already been evidenced with the post year-end announcement of a proof of concept and distribution agreement with XLink Communications (Pty) Ltd ("XLink").

As a result, XLink, which currently manages M2M solutions for over 68,000 businesses in Africa, facilitating 35 million M2M connections through the XLink Portal monthly, will distribute Cyan's smart metering and lighting solutions as well as related IOT applications in South Africa.

Board Changes

We are delighted to have added Peter Mainz and Harry Berry to the Board as Non-Executive Directors during the year. Both Harry and Peter have a wealth of experience in the smart metering sector - with Peter having been the CEO & President of global smart metering leader Sensus USA Inc. and Harry bringing over 30 years' experience in the technology and telecommunications industries.

In addition, Stephen Newton left his position as Non-Executive Director - we would very much like to thank him for his assistance during his time at the Company.

Strengthened Team

We are focused on growing our geographical presence and ability to generate new opportunities. As such, we announced the appointment of Mark Coyle as Vice President, with responsibility for business development and sales in Europe, Africa, Americas and Australasia in December 2014. Before joining Cyan, Mark held the position of Managing Director, UK & Ireland, at US smart metering leader Silver Spring Networks.

Post the period end we announced the appointment of Vikas Kashyap to the role of Vice President Asia, with responsibility for business development and sales across Asia. Before joining Cyan, Vikas held a leadership position at Secure Meters.

Both Mark and Vikas bring plenty of experience and contacts to the table and we are delighted to have secured two such high quality individuals.

Outlook

The current year has started well – post the period end we received a purchase order worth approximately £1m from Enzen Global Solutions Pvt Ltd ("Enzen") for a large pilot project being implemented for Chamundeshwari Electricity Supply Corporation Limited ("CESC"), Mysore, Karnataka in southwest India.

As a result, we will supply over 21,000 smart meters and associated hardware and software while acting as Enzen's end-to-end solution provider for smart metering. We will manage the entire supply chain using local meter manufacturers and will provide management services for a period of two years post deployment. At the time of signing the contract in January 2015, our view was that the first meters were expected to go live before the end of 2015 and full rollout expected to be completed in the first half of 2016. Since then we have started to deliver this project and carried out further project management discussions with both Enzen and CESC. We now expect the first set of 500 meters to be deployed in the next 3-4 months with a significant element of the full 21,824 meters under the contract delivered to the customer by the end of 2015. We believe that this is the first commercial implementation of AMI technology by a public utility for consumers in India. In order to effectively deliver this contract as well as to pursue the substantial commercial opportunity which is now developing for Cyan in India, a local legal entity has been registered (Cyan Technology India Private Limited) which is wholly owned by Cyan Holdings plc. This entity is expected to commence trading by the end of the second quarter of 2015 following the completion of the local tax registration formalities. This local entity will also allow Cyan to bid directly on utility tenders. We believe that this is the first commercial implementation of AMI technology by a public utility for consumers in India.

We remain focused on commercialising our technology with utilities, municipalities and local authorities initially within the emerging markets of India, Brazil, China and Sub-Saharan Africa where there is a rapidly growing need for innovative energy conservation and control technologies.

We very much look forward to building on an extremely busy year with further commercial agreements and partnerships during the remainder of 2015. There are a large number of opportunities in the pipeline for further customer orders and we are working hard to ensure Cyan technology is selected. Looking ahead, we will continue to tender for more opportunities with a view to further establishing our global credentials. I would like to thank all our staff and shareholders for their considerable efforts and ongoing support and look forward to updating the market with further developments in due course.

John Cronin
Executive Chairman

8 May 2015

Board of Directors

John Cronin - Executive Chairman (59)

John Cronin is a seasoned and successful professional. He has been instrumental in mergers & 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, OSS, 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 (48)

Simon joined the board in March 2010 as a non-executive director and was appointed CFO in October 2013. He is an experienced financial executive with over twenty years' experience in the semiconductor and technology sectors. He is currently an independent advisor to both start-up and listed technology companies providing a range of assistance including fund raising, business planning and contract negotiation.

Prior to establishing himself as an independent advisor in 2007, 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.

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 and Wales in 1991.

Dr John Read - Non-Executive Director (73)

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 and is now a non-executive director.

Harry Berry - Non-Executive Director (67)

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.

Board of Directors (continued)

Peter Mainz (50)

Peter joined the Board in July 2014. He was previously the CEO & President of global smart metering leader Sensus. Sensus are leaders in the electricity, water and gas smart metering markets with operations in 22 countries across the world. Under his tenure, the company grew into a leading technology provider to the global utility industry through multiple technology acquisitions, resulting in one of the largest installed AMI bases in the world. Sensus were also part of the winning consortium for the UK smart metering rollout for the North of England and Scotland announced in August 2013 to connect 16M meters to 10M homes. They have over 16M endpoints (meters & sensors) already deployed.

Peter has over 20 years of financial and communication systems business experience. He has a wealth of experience in both operational and commercial roles, with an emphasis on management roles. He has held roles at IBM and Schlumberger before joining Invensys plc in 1999 where he served as VP Finance for various economic zones. In 2003, he joined Sensus, which was created as the result of a private equity spin out of a division of Invensys plc. From January 2003 to August 2007 he served as the CFO of Sensus and in August 2007 he was also appointed as the Executive VP of Operations. In April 2008, he was appointed to the Board of Sensus and took over as CEO & President.

Senior Management Team

Stephen Page, Chief Operating 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.

Mark Coyle, Vice President

Mark joined Cyan in December 2014, and is responsible for business development and sales in Europe, Africa, Americas and Australasia. With more than 20 years of commercial experience in the energy sector, Mark has advised governments, regulators, utilities, and consumer bodies across the world on the transformation of their energy and city services to meet future needs. Before joining Cyan, Mark held the position of Managing Director, UK & Ireland at Silver Spring Networks and contributed to their rapid growth. Prior to this Mark held leadership positions at Utiligroup, CGI/Logica and National Grid.

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.

Dr Sean Cochrane, Sales Technical Support Director

Sean has worked in semiconductor and embedded systems development for the last 25 years, in a variety of software engineering, applications and marketing roles. Sean has been with Cyan Technology since March 2006, focussing on metering systems development in India since 2009. Sean gained a BSc (first class) and MSc in Electronic and Electrical Engineering from Manchester University, an MBA from the Open University and PhD from Loughborough University for research into knowledge base verification methodologies.

Heather Peacock, Company Secretary

Heather joined Cyan in November 2008 as Financial Controller, bringing 20 years' of financial management experience gained in a variety of companies. These include large multinationals and smaller, listed start-ups, both in the UK and in South Africa. At Cyan Heather has responsibility for the day to day management of the finance, legal and HR functions, including the budgeting/forecasting and working capital functions, audits and preparation of the Annual and Interim Reports. In addition to this Heather was appointed as Company Secretary for Cyan in October 2013 and is responsible for the Company Secretarial and Corporate Governance functions at Cyan having recently qualified as a Chartered Company Secretary through the ICSA.

Strategic Report

Statement of scope

This Strategic Report has been prepared solely to provide additional information to 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.

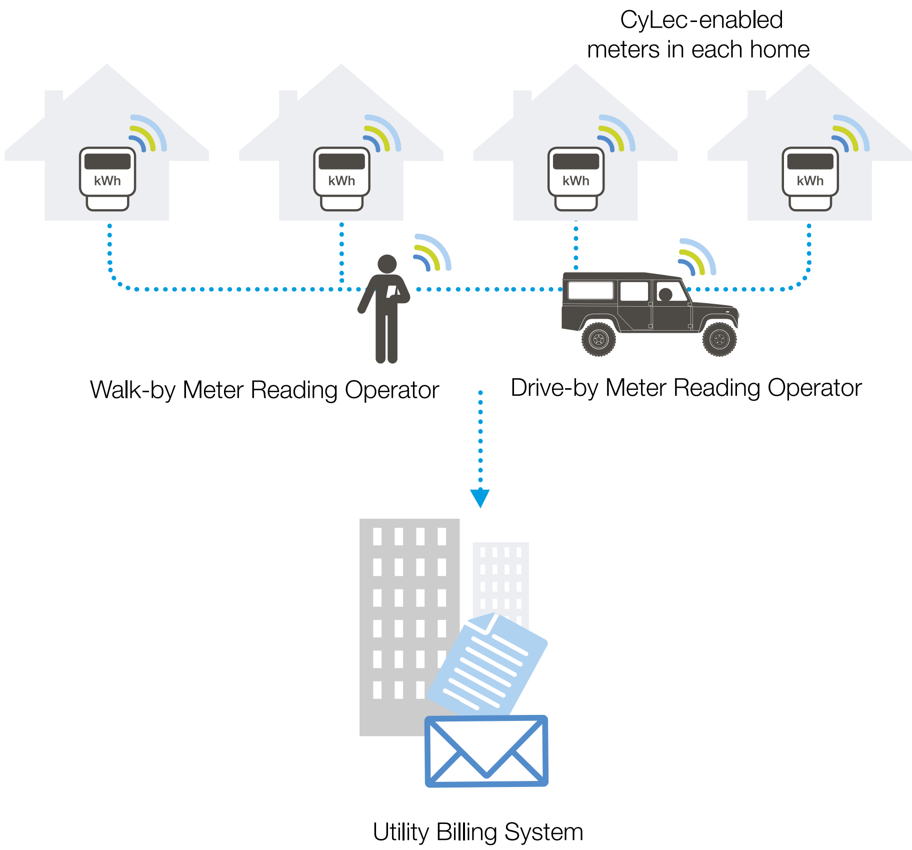

Figure 1. CyLec Automated Meter Reading ("AMR")

Cyan's business model is to provide hardware and software that enables the smart grid. Our revenue is derived from the following principal elements:

- A small hardware communication module that can be integrated into the electricity meter of our meter manufacturer partners (such as L&T), 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 called 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 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. Our revenues are derived from sales to local meter manufacturers or system integrators ("SIs") and in 2014/15 we have concluded sales through both channels. Over time we expect 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. We believe that our 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, we receive 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.

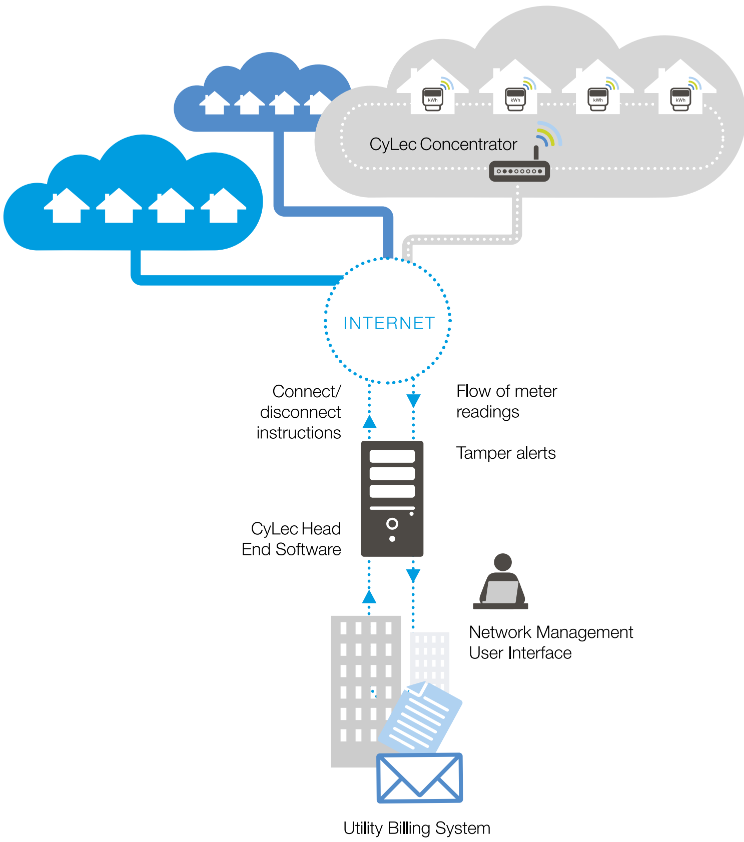

Figure 2. CyLec Advanced Metering Infrastructure ("AMI")

Strategic Report (continued)

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 us to benefit from economies of scale in development and manufacturing.

Competitive Position

The Cyan solution has had over 200 man years of development to date by a very capable engineering team in Cambridge, UK and this has created a substantial barrier to entry. The Cyan 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.

The Cyan solution has been designed and built for emerging markets, whilst our competition has generally chosen western markets. It can be integrated into new meters, or retrofitted to existing meter infrastructure to avoid rip-and-replace costs. Our solution is inherently low power and this has helped us to achieve a 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. The Cyan Data Concentrator Unit (DCU) has also been designed to be highly functional, but in a small package which also results in a competitive price point. Cyan offers sub-GHz wireless mesh solutions which are inherently suited to typical dense housing conditions in emerging markets. We also use license free ISM (Industrial, Scientific and Medical) radio bands, which means that our 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 both India and Brazil during 2014 and in the subsequent period up until the date of preparation of this report. It has also expanded its global focus to include Sub Saharan Africa and other potential emerging markets worldwide.

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 partners) has bid on several of them throughout 2013 and 2014. As a result of the first of these 14 smart grid projects to be awarded, in early 2015 Cyan received a purchase order worth approximately £1m from Enzen Global Solutions Plc for a large pilot project being implemented for CESC, Mysore, Karnataka 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.

Opportunities have also emerged with private utilities in India and Cyan has progressed both commercial and pilot project orders across 2014. In June, Cyan received its first order for 5,000 retrofit modules in a commercial deployment by Essel Utilities in India, as part of a consortium with Aquameas Instrument Pvt. This was quickly followed in July by another order for 5,000 units by Tata Power Mumbai for Cyan's integrated CyLec solution as part of a consortium led by L&T. Later in the same month, Cyan signed Memoranda of Understanding with Ecolibrium and Innologix Consulting to develop, market and deploy further smart metering solutions in India.

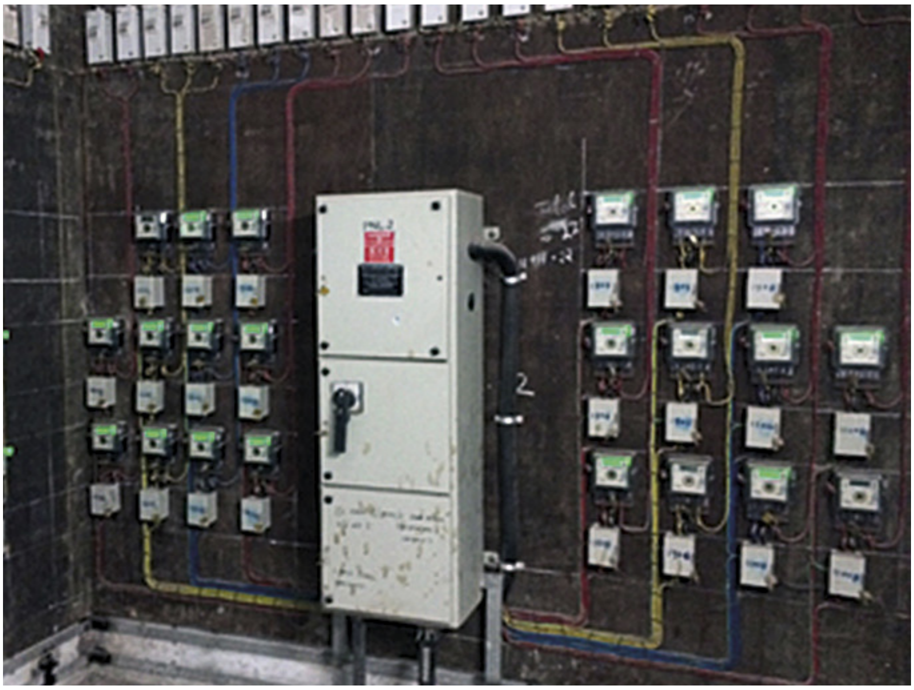

Figure 3. Tata Power meter room

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 theft of electricity. In addition, following the election of a new Prime Minister, one of the top priorities of the new government is to provide stable 24 x 7 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 AMR and AMI solutions address these key issues by providing high quality and timely information from each meter. Cyan's 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. To address the issue of Aggregate Transmission and Commercial ("AT&C") losses, the Government of India implemented an Accelerated Power Development Reforms Programme ("APDRP"). Its key objectives were to reduce AT&C losses, improve customer satisfaction, introduce greater transparency and improve the financial viability of the State Distribution Companies ("SDCs"). It was against this backdrop that the Restructured APDRP ("R-APDRP") was conceived in September 2008 for the 11th Five Year Plan (2007-12). Monies are provided by the Indian Government as loans for the provision of advanced metering solutions and once in place, the loans are converted into grants. Frost & Sullivan have estimated that US$32Bn of power generated in India is not accounted for through billing to customers.

Strategic Report (continued)

Cyan provides a platform product (CyLec) to enable deployment of AMI. AMI is an architecture for automated end-to-end two way 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 situation is similar to India. Cyan's initial target market (Brazil) has a dynamic population of 200 million, and Brazil's Energy Research Corporation (Empresa de Pesquisa Energética) has estimated that generating capacity will need to grow by 56% in the next decade to keep up with demand and not stifle economic growth. 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%. Spend in South America on smart metering will reach $19bn with 80.7m meters by 2023. One Brazilian electricity distribution company has estimated that 11GW of power (equivalent to $6Bn) is lost in the country due to AT&C losses.

Figure 4. Nobre bespoke retrofit unit

In March 2014, Nobre de la Torre, Cyan's strategic partner in Brazil, deployed its first smart electricity meter pilot project for a Tier 1 utility in Brazil, which has over two million consumers. In August, Nobre announced that a second pilot with another Tier 1 utility, with six million consumers, had also been successfully deployed in three different locations selected by the utility.

In December, Cyan announced receipt of a purchase order from Nobre. The order was for 1,000 CyLec retrofit modules, 25 CyLec DCUs and other smart meter components to fulfil Nobre's requirement to manufacture and stock enough bespoke retrofit units for its planned pilots with Tier 1 Brazil utilities, as well as enable them to fulfil smaller orders on short notice across the country.

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 August, Cyan signed a partnership agreement with Dinsmore and Associates, who will act as a business development partner to identify opportunities for Cyan's smart metering, smart lighting and M2M solutions across the Sub-Saharan African market. This was followed in March 2015 by 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.

Lighting

Cyan has received a lighting order through its China lighting solutions distributor, Aska. The order is for 15,000 Cyan smart lighting control modules, for 15,000 street lights, as well as the associated licenses for Cyan's server software.

New Hires

As part of Cyan's extended focus on emerging smart metering and lighting markets, Cyan has hired a new Vice President for Asia – Vikas Kashyap, formerly Director of Sales at Secure Meters (UK) – and a new Vice President with responsibility for business development and sales in Europe, Africa, Americas and Australasia – Mark Coyle. Before joining Cyan, Mark was the Managing Director, UK & Ireland, at Silver Spring Networks.

Operational Review

Key Financials

Commercial orders remained well below the level required to sustain the business. In 2014, the company raised £3.5 million 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.

	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	194	138	315	456
Research and development expenditure	1,843	1,479	1,141	1,866
Operating loss	3,260	3,267	3,104	3,575
Cash and cash equivalents	2,344	1,636	1,619	365
Average monthly operating cash outflow	253	247	278	296

Key performance indicators

During 2014, the Group incurred an average monthly operating cash outflow of £253,000 (2013: £247,000) and incurred a loss for the year of £2,853,963 (2013: £2,992,195). Revenue in 2014 was £193,550 (2013: £137,996). The group had an average of 27 staff in 2014 (2013: 25). Our 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.

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 and intelligent lighting. 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 the Strategic Report above.

Strategic Report (continued)

Principle 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 equity additional 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	• 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 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.
Competitive Environment	• The Group's products compete for technological superiority over those of competitors. There is a risk 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.	• 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.

Area of Risk	Description	Mitigating Activity
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.	• 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.
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 our customers are invoiced in US Dollars, we also contract the manufacture of Cyan's hardware in US Dollars and this partially offsets the risk.

Employee matters

Headcount

The development and delivery of innovative technologies is possible through the contribution of our people, operating in 2 different territories in the world, namely the UK and India. During 2014 we continued the recruitment of employees to be based locally on the ground in India and began the formation of a new subsidiary in India to demonstrate our commitment to the market as well as supporting local customers and partners. The entity was incorporated in January 2015. 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.

Strategic Report (continued)

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. Despite this commitment, Cyan faces a challenge in creating a balanced gender split within its team as very few women go into software engineering roles. Within the management team that reports to the Board, women comprise 20% (or 1 out of 5 personnel) (2013: 20%) and at board level 0% (2013: 0%). In the Group as a whole, during 2014 women comprised 15% (2013: 20%) of our total employees (or 4 out of a total of 27) (2013: 5 out of 25).

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.

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. 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

Heather Peacock
Company Secretary

8 May 2015

Corporate Governance Statement

Whilst companies whose shares are listed on AIM are not formally required to comply with the UK Corporate Governance Code (the '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 2014 the Board comprised five directors, including the Executive Chairman, the Chief Financial Officer and three independent non-executive directors. Of the five directors in post at 31 December 2014, three had served throughout the year.

Name	Role	In post 1 Jan 2014	In post 31 Dec 2014
Executive			
John Cronin	Executive Chairman	Yes	Yes
Simon Smith	Chief Financial Officer	Yes	Yes
Non-Executive			
Dr John Read	Chairman Nomination Committee	Yes	Yes
Harry Berry	Chairman Remuneration Committee	No	Yes
Peter Mainz	Chairman Audit Committee	No	Yes
Stephen Newton	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 is Chairman of the nominations committee and a member of the remuneration and the audit committees. 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.

On 16 May 2014, Stephen Newton resigned from the Board due to health reasons, and Harry Berry was appointed as a non-executive director. Harry is the Chairman of the Remuneration Committee and a member of the Nomination Committee.

On 1 July 2014, Peter Mainz was appointed as a non-executive director and is the Chairman of the Audit Committee and a member of the Nomination Committee.

The Board is responsible for the 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.

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.

Corporate Governance Statement (continued)

Board Committees

The Company has an Audit Committee, a Nominations Committee and a Remuneration Committee.
Peter Mainz chairs the Audit Committee with John Read being the other member of this committee.

John Read chairs the Nominations Committee, with all three Non-Executive Directors being members of this committee.

Harry Berry chairs the Remuneration Committee with John Read 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 2014.

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 31 December 2019 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 in order to fund working capital within the next six months.

The directors have recognised that the Group is trading principally in four emerging country markets, namely India, Brazil, China 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 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 19 to the financial statements.

Dividends
The directors do not recommend the payment of a dividend (2013: £nil). The Group has no plans to adopt a dividend policy in the immediate future and all funds generated by the Group will be invested in the further development of the business, as is normal for a company operating in this industry sector and at this stage of its development.

Directors' Report (continued)

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 22. At 31 December 2014, 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.

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 29.

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 19.

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

Subsequent events
Towards the end of 2014 a decision was made to incorporate an entity in India, Cyan Technology India Private Limited, to support the manufacturing and sales processes, as well as to support local customers and partners. This process of incorporation was completed in January 2015.

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
Stephen Newton – appointed 5 September 2013; resigned 16 May 2014
Harry Berry – appointed 16 May 2014
Peter Mainz – appointed 1 July 2014

Peter Mainz was appointed to the board on 1 July 2014. He will therefore retire at the Annual General Meeting in June 2015, and offer himself for re-election. John Read 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 25.

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 expensed in the year amounted to £1,843,213 (2013: £1,479,355).

Significant Holdings

The Company had been notified of the following voting rights as a shareholder in the Company at 31 December 2014:

	Percentage of voting rights and issued share capital	Number of ordinary shares	Nature of holding
Brewin Dolphin Limited	4.22%	188,460,489	Direct
Peter Lobbenberg	4.12%	183,919,780	Combined
Legal and General	3.65%	162,768,681	Direct
Mark Weekley	3.54%	158,000,000	Combined
Barnard Nominees Limited	3.30%	147,123,683	Combined
Peter Bottomley	3.16%	140,977,777	Combined

During the period between 31 December 2014 and 8 May 2015, the Company received no notifications under Chapter 5 of the Disclosure and Transparency Rules.

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 25 days (2013: 20 days).

Charitable and political donations

Charitable donations for the year were £nil (2013: £100) and no political donations were made during the year (2013: £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

Heather Peacock
Company Secretary

8 May 2015

Directors' Remuneration Report

Unaudited information

Remuneration committee

The Company has established a Remuneration Committee. Stephen Newton was Chairman of the Remuneration Committee until the appointment of Harry Berry in May 2014, when he took over this position.

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 £90,000 were made during the year. (2013: £nil). 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 2014 Number	At 31 December 2013 Number
John Cronin	19 December 2013 30 September 2014	0.003 0.0042	76,560,756 101,689,440	76,560,756 -
			178,250,196	76,560,756
Simon Smith	19 December 2013 30 September 2014	0.003 0.0042	42,006,335 26,149,218	42,006,335 -
			68,155,553	42,006,335
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	- - -
			34,320,884	-
Peter Mainz	1 July 2014	0.0042	34,512,626	-

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

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
Peter Mainz	1 July 2014

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	£25,000
Stephen Newton	£10,417
Harry Berry	£32,416
Peter Mainz	£15,000

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

Directors' emoluments

Name of Director	Fees/Basic Salary £	Compensation for loss of office £	Pension contributions £	Annual bonuses £	2014 total £	2013 total £
Executive						
John Cronin	157,476	-	-	90,000	247,476	104,500
Simon Smith	120,000	-	3,000	-	123,000	74,083
Non-Executive						
Dr John Read	25,000	-	-	-	25,000	25,000
Harry Berry	32,416	-	-	-	32,416	-
Peter Mainz	15,000	-	-	-	15,000	-
Stephen Newton	10,417	-	-	-	10,417	8,333

Included in the figures above is an amount of £233,000, paid to third party companies in respect of directors' services during 2014 (2013: £98,500).

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 8 May 2015 and signed on its behalf by:

Heather Peacock
Company Secretary

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 the profit or 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

Heather Peacock
Company Secretary

8 May 2015

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 2014 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 32. 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 is 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 2014 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 £2,853,963 during the year ended 31 December 2014 and, as of that date, the Group's cash balance was £2,344,344. 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.

Stuart Henderson
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom
8 May 2015

Consolidated income statement

For the year ended 31 December 2014

	Notes	2014 £	2013 £
Continuing operations			
Revenue	5	**193,550**	137,996
Cost of sales		**(123,099)**	(87,366)
Gross profit		**70,541**	50,630
Operating costs		**(3,330,514)**	(2,843,939)
Provision for stock obsolescence		**-**	(473,448)
Operating loss		**(3,260,063)**	(3,266,757)
Investment revenue	5,10	**5,157**	4,437
Finance costs	11	**(391)**	(10)
Loss before tax		**(3,255,297)**	(3,262,330)
Tax	12	**401,334**	270,135
Loss for the year	7	**(2,853,963)**	(2,992,195)
Loss per share (pence)			
Basic	13	**(0.1)**	(0.1)
Diluted	13	**(0.1)**	(0.1)

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	2014 £	2013 £
Loss for the year	**(2,853,963)**	(2,992,195)
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	**-**	65,075
Total comprehensive income for the period	**(2,853,963**	(2,927,120)

Consolidated balance sheet

At 31 December 2014

	Notes	2014 £	2013 £
Non-current assets			
Intangible assets	14	**-**	-
Property, plant and equipment	15	**23,726**	3,875
		23,726	3,875
Current assets			
Inventories	17	**574,530**	583,200
Trade and other receivables	18	**574,248**	345,794
Cash and cash equivalents	18	**2,344,344**	1,636,149
		3,493,122	2,565,143
Total assets		**3,516,848**	2,569,018
Current liabilities			
Trade and other payables	21	**(508,290)**	(298,441)
Total liabilities		**(508,290)**	(298,441)
Net current assets		**2,984,832**	2,266,702
Net assets		**3,008,558**	2,270,577
Equity			
Share capital	22	**446,493**	341,638
Share premium account	23	**33,911,618**	30,570,401
Own shares held	24	**(808,856)**	(808,856)
Share option reserve	25	**522,562**	376,690
Translation reserve	27	**(149,742)**	(149,742)
Retained losses	26	**(30,913,517)**	(28,059,554)
Total equity being equity attributable to owners of the Company		**3,008,558**	2,270,577

The financial statements of Cyan Holdings plc (registered number 04554942) were approved by the Board of Directors and authorised for issue on 8 May 2015. They were signed on its behalf by:

Simon Smith
Director

Consolidated statement of changes in equity

At 31 December 2014

	Share Capital £	Share Premium £	Own Shares Held £	Share Option Reserve £	Translation Reserve £	Retained Losses £	Total Equity £
Balance at 31 December 2012	**232,681**	**27,779,215**	**(808,856)**	**776,190**	**(214,817)**	**(25,067,359)**	**2,697,054**
Loss for the year	-	-	-	-	-	(2,992,195)	**(2,992,195)**
Other comprehensive income for the year	-	-	-	-	65,075	-	65,075
Total comprehensive income for the year	-	-	-	-	65,075	(2,992,195)	**(2,927,120)**
Issue of share capital	108,957	2,791,186	-	-	-	-	**2,900,143**
Debit to equity for share options	-	-	-	(399,500)	-	-	**(399,500)**
Balance at 31 December 2013	**341,638**	**30,570,401**	**(808,856)**	**376,690**	**(149,472)**	**(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**

Company balance sheet

At 31 Dememeber 2014

	Notes	2014 £	2013 £
Non-current assets			
Intangible assets	14	**-**	-
Investments in subsidiaries	16	**442,513**	307,787
		442,513	307,787
Current assets			
Trade and other receivables	18	**186,786**	177,045
Cash and cash equivalents	18	**2,114,685**	1,471,308
		2,301,471	1,648,353
Total assets		**2,743,984**	1,956,140
Current liabilities			
Trade and other payables	21	**(81,653)**	(57,141)
Loans from other Group entities		**(2,000)**	(2,000)
Total Liabilities		**(83,653)**	(59,141)
Net current assets		**2,217,818**	1,589,212
Net assets		**2,660,331**	1,896,999
Equity			
Share capital	22	**446,493**	341,638
Share premium account	23	**33,911,618**	30,608,388
Share option reserve	25	**522,562**	376,690
Retained losses	26	**(32,220,342)**	(29,429,717)
Total equity		**2,660,331**	1,896,999

The financial statements of Cyan Holdings plc (registered number 04554942) were approved by the Board of Directors and authorised for issue on 8 May 2015. They were signed on its behalf by

Simon Smith
Director

Company statement of changes in equity

At 31 December 2014

	Share Capital £	Share Premium £	Share Option Reserve £	Retained Losses £	Total Equity £
Balance at 31 December 2012	**232,681**	**27,779,215**	**776,190**	**(26,646,543)**	**2,141,543**
Loss for the year	-	-	-	(2,783,174)	**(2,783,174)**
Total comprehensive income for the year	-	-	-	(2,783,174)	**(2,783,174)**
Issue of share capital	108,957	2,791,186	-	-	**2,900,143**
Debit to equity for share options	-	-	(399,500)	-	**(399,500)**
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**	**(32,220,341)**	**2,660,331**

Consolidated cash flow statement

For the year ended 31 December 2014

	Notes	2014 £	2013 £
Net cash outflow from operating activities	28	**(2,713,621)**	(3,001,981)
Investing activities			
Interest received		**5,157**	4,437
Purchases of property, plant and equipment		**(29,022)**	(5,198)
Net cash used in investing activities		**(23,865)**	(761)
Financing activities			
Interest paid		**(391)**	(10)
Proceeds on issue of shares		**3,655,275**	3,037,961
Share issue costs		**(209,203)**	(137,818)
Net cash from financing activities		**3,445,681**	2,900,133
Net increase / (decrease) in cash and cash equivalents		**708,195**	(102,609)
Cash and cash equivalents at beginning of year		**1,636,149**	1,618,574
Effect of foreign exchange rate changes		**-**	120,184
Cash and cash equivalents at end of year		**2,344,344**	1,636,149

Company cash flow statement

For the year ended 31 December 2014

	2014 £	2013 £
Loss for the year	**(2,790,624)**	(2,783,174)
Adjustment for:		
Share based payment expenses	**(26,841)**	(312,640)
Operating cash flows before movement in working capital	**(2,817,465)**	(3,095,814)
(Increase) / decrease in receivables	**(9,741)**	255,212
Increase in payables	**24,512**	14,464
Net cash outflow from operating activities	**(2,802,694)**	(2,826,138)
Financing activities		
Proceeds on issue of shares	**3,655,274**	3,037,961
Share issue costs	**(209,203)**	(137,818)
Net cash from financing activities	**3,446,071**	2,900,143
Net increase in cash and cash equivalents	**643,377**	74,005
Cash and cash equivalents at beginning of year	**1,471,308**	1,397,303
Cash and cash equivalents at end of year	**2,114,685**	1,471,308

Notes to the Financial Statements

For the year ended 31 December 2014

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 10.

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.

Amendents to IAS 32 (Dec 2011)	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36 (May 2013)	Amendments to IAS 36 (May 2013
Amendments to IAS 39 (June 2013)	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012)	Investment Entities
IAS 27 (revised May 2011)	Separate Financial Statements
IAS 28 (revised May 2011)	Investments in Associates and Joint Ventures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRIC 21	Levies

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 IFRS 10, IFRS 12 and IAS 28 (Dec 2015)	Investment Entities: Applying the Consolidation Exception
Amendments to IAS 1 (Dec 2015)	Disclosure Initiative
Annual Improvements to IFRSs: 2012-2014 Cycle (Sept 2014)	Annual Improvements to IFRSs: 2012-2014 Cycle
Amendments tto IFRS 10 and IAS 28 (Sept 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 27 (Aug 2014)	Equity Method in Separate Financial Statements
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IAS 16 and IAS 38 (May 2014)	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendents to IFRS 11 (May 2014)	Accounting for Aquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
Annual Improvements to IFRSs: 2011-13 Cycle (Dec 2013)	Annual Improvements to IFRSs: 2011-13 Cycle
Annual Improvements to IFRSs: 2010-12 Cycle (Dec 2013)	Annual Improvements to IFRSs:2010-12 Cycle
Amendments to IAS 19 (Nov 2013)	Defined Benefit Plans: Employee Contributions

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, except that IFRS 9 will impact both the measurement and disclosures of Financial Instruments.

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 the Group to continue as a going concern, the directors have prepared a business plan and cash flow forecast for the period to 31 December 2019 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 in order to fund working capital within the next six months.

The directors have recognised that the Group is trading principally in four emerging country markets, namely India, Brazil, China 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 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.

For the year ended 31 December 2014

3. Significant accounting policies

Going concern (continued)

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.

Basis of consolidation

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

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

Revenue recognition

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.

Turnover is recognised when it is probable that economic benefits will flow to the Company and delivery of product has occurred, the sales price is fixed or determinable and collectability is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:-

- Hardware
  - *Modules (metering and lighting) and antennae* – turnover recognised on shipment based on standard Incoterms EXW.
  - *Data Concentrator Units (DCUs)* – turnover bundled with Head End Software License and Installation Services and recognised when installation is complete and customer able to obtain the economic benefit from the Cyan solution.
- Software / Software Licences / AMC
  - *Head End Software (Perpetual) and Installation Services* – turnover bundled with DCUs and recognised when installation is complete and customer able to obtain the economic benefit from the Cyan solution.
  - *Cyan hosted term software licenses for lighting/metering* – turnover recognised rateably over the term of the license and bundled with DCU turnover.
  - *Annual Maintenance Contract* (AMC) – turnover recognised rateably over the support period (generally recurring periods of 12 months)
- Services
  - 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.
- Royalties
  - Royalties paid for the use of the Company's assets are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Notes to the Financial Statements (continued)

3. Significant accounting policies

Leasing

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

Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Operating loss

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. These were the only payments made by the Group in the year under review. At yearend there were employer's pension contributions provided for but not yet paid of £94,400 (2013: £81,387).

For the year ended 31 December 2014

3. Significant accounting policies

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.

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 of assets over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures and equipment	20% - 50%

There are no assets held under finance leases.

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

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

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.

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.

Loans and receivables (continued)

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.

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 third 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.

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

Company

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

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

The loss for the year dealt with in the financial statements of the Company was £2,790,624 (2013: £2,783,174). 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.

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.
- Inventories include stocks of raw materials and finished goods that the directors believe will be sold within the period to December 2016 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.

5. Revenue

	2014	2013
	£	£
Sale of goods	**193,550**	137,996
Investment income	**5,157**	4,437
Total revenue	**198,707**	142,433

Notes to the Financial Statements

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 2014 there were 4 customers (2013: 4) whose turnover accounted for more than 10% of the Group's total revenue as follows:-

	Turnover	Percentage of Total
	£	%
Customer A	69,731	36%
Customer B	44,329	23%
Customer C	42,993	22%
Customer D	21,962	11%

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

During 2014 revenue split between the UK and other countries for sale of goods was as follows:

	2014		2013	
	Turnover £	**Percentage of Total %**	Turnover £	Percentage of Total %
UK	**21,962**	**11.3**	19,614	14.2
Rest of the World	**171,588**	**88.7**	118,382	85.8
	193,550		137,996	

7. Loss for the year

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

	2014 £	2013 £
Net foreign exchange (gains) / losses	**(16,845)**	63,880
Research and development costs	**1,843,213**	1,479,355
Depreciation of property, plant and equipment (see note 15)	**9,171**	9,334
Inventories recognised as an expense	**-**	33
Write down of inventories recognised as an expense	**-**	473,394
Reversal of write downs of inventories recognised as an expense	**(11,060)**	-
Staff costs (see note 9)	**1,696,612**	1,447,922
Operating lease costs (see note 29)	**78,251**	86,177

Notes to the Financial Statements (continued)

8. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2014	2013
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**20,309**	19,715
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
Total audit fees	**30,309**	29,715
- Tax services	**-**	5,500
- Other services pursuant to legislation	**5,950**	3,400
Total non-audit fees	**5,950**	8,900

9. Employee information

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

	2014	2013
	Number	Number
Sales and administration	**14**	13
Research and development	**11**	9
Operations and logistics	**2**	3
	27	25

	2014	2013
	£	£
Their aggregate remuneration comprised:		
Wages and salaries	**1,521,558**	1,291,715
Social security costs	**129,192**	119,416
Other pension costs	**45,862**	36,791
	1,696,612	1,447,922

Key management compensation

The directors are of the opinion that key management personnel during 2014 comprised of the Board of Directors, the Company Secretary, the Chief Operating Officer and the Product Director. These persons had the authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration of these personnel for 2014 is detailed below. During 2013 key management personnel comprised of the Board of Directors, the Company Secretary, the VP of Worldwide Sales and Marketing, the Chief Operating Officer and the Product Director.

	2014	**2013**
	£	**£**
Their aggregate remuneration comprised:		
Wages and salaries	783,923	544,775
Social security costs	51,995	48,640
Other pension costs	17,313	13,717
	853,231	607,132

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

10. Investment revenue

	2014 £	2013 £
Interest revenue:		
Bank deposits	**5,157**	4,437

Investment revenue is all earned on cash and cash equivalents.

11. Finance costs

	2014 £	2013 £
Interest on bank overdrafts and loans	**391**	10

12. Tax

	2014 £	2013 £
Current tax:		
UK corporation tax on profits of the period	**(401,334)**	(270,135)
Deferred tax (note 20)	**-**	-
	(401,334)	(270,135)

Corporation tax is calulated at 21.5 per cent (2013: 23.25 per cent) of the estimated assessable profit for the year.

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

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

	2014 £	2013 £
Loss before tax	**(3,255,296)**	(3,262,330)
At blended standard rate of 21.5% (2013: 23.25%)	**(699,889)**	(758,305)
Effects of:		
Expenses not deductible for tax purposes	**29,390**	39,908
Income not taxable for tax purposes	**-**	(8,832)
Other permanent differences	**-**	28,754
Tax effect of capital allowances in (excess) / deficit of depreciation	**(9,687)**	1,847
Enhanced R&D expenditure	**(347,947)**	(317,157)
Losses surrendered for R&D tax credit	**626,305**	570,882
Tax effect of other unrecognised temporary differences	**1**	61,635
Unrecognised tax losses and other deductions in the period	**424,481**	381,268
Other short term timing differences	**(22,654)**	-
Research and development tax credit receivable - current year	**(401,334)**	(270,135)
Actual current tax credit in the year	**(401,334)**	(270,135)

Factors affecting tax charge in future years

The Finance Act 2014, which provides for reductions in the main rate of corporation tax from 21% to 20% effective from 1 April 2015, was substantively enacted on 17 July 2014. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

Notes to the Financial Statements (continued)

13. Loss per share

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

Loss

	2014	2013
	£	£
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent	**2,853,963**	2,992,195

Number of shares

	No.	No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,279,766,136**	2,797,766,136

14. Intangible assets

No intangible assets are held at valuation in these accounts.

	Software	
	Group	**Company**
	£	**£**
Cost		
At 1 January 2013, 1 January 2014 and 31 December 2014	143,964	143,964
Amortisation		
At 1 January 2013, 1 January 2014 and 31 December 2014	143,964	143,964
Carrying amount		
At 31 December 2014	-	-
At 31 December 2013	-	-

Notes to the Financial Statements (continued)

15. Property, plant and equipment

No assets are held at valuation in these accounts.

Group

	Fixtures and equipment £
Cost	
At 1 January 2013	314,072
Additions	5,198
Disposals	(35,791)
Exchange differences	(737)
At 1 January 2014	282,742
Additions	29,022
At 31 December 2014	**311,764**
Accumulated Depreciation	
At 1 January 2013	305,082
Charge for the year	9,334
Disposals	(34,295)
Exchange differences	(1,254)
At 1 January 2014	278,867
Charge for the year	9,171
At 31 December 2014	**288,038**
Carrying Amount	
At 31 December 2014	**23,726**
At 31 December 2013	**3,875**

At 31 December 2014 the Group had no contractual commitments outstanding for the acquistion of property, plant and equipment (31 December 2013: £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 31.

Notes to the Financial Statements (continued)

17. Inventories

Group

	2014	2013
	£	£
Raw materials	193,785	635,017
Finished goods	380,745	421,631
Less: Provision for obsolete stock	-	(473,448)
	574,530	583,200

The Company holds no inventories at either balance sheet date.

18. 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 £2,411,478 (2013: £1,642,372). Those of the Company include loans and cash and cash equivalents and total £2,114,685 (2013: £1,471,308).

Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Amount receivable for the sale of goods	67,134	6,223	-	-
Corporation tax receivable	401,334	270,135	-	-
Other debtors	45,922	32,060	8,347	11,510
EBT loan	-	-	138,803	138,803
Prepayments	59,858	37,376	39,636	26,732
	574,248	345,794	186,786	177,045

During the year nothing was written off the value of the carrying amount of trade and other receivables (2013: £1,734).

The directors consider that the carrying amount of trade and other receivables at 31 December 2014 approximates to their fair value.

Amounts receivable from the Group undertakings are shown in note 30.

Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Cash and cash equivalents	2,344,344	1,636,149	2,114,685	1,471,308

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.

19. 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 2014 or 31 December 2013 and consequently no sensitivity analysis is presented.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, the credit risk on other classes of financial asset is insignificant. The amounts presented in the balance sheet are net 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 2014 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 £4,570 of debtors which were past due at the reporting date and not impaired (2013: £1,215). £4,006 is 0-90 days overdue (2013: £1,215) and £564 is over 90 days overdue (2013: £nil); the remaining balance is not yet due. There was no allowance for doubtful debts at 31 December 2014 (2013: £nil). There were no bad debt charges for the year (2013: £1,734). The Company has made a provision against the full amount of the debt owed to it by its subsidiary companies totalling £29,408,122 (2013: £26,579,091). In addition, the Company has made a provision of £669,767 (2013: £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.

Foreign currency risk

The Company is exposed to both translation and transaction risk, in addition transactions are carried out in currencies other than UK Sterling. Whilst most of the Company's customers are invoiced in US Dollars, the Company also contracts the manufacture of its hardware in US Dollars thereby partially offsetting the risk.

20. 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 £3.7m (2013: £3.4m) existed. No deferred tax asset has been recognised due to the unpredictability and uncertainty of future profit streams.

Notes to the Financial Statements (continued)

21. Other financial liabilities

Both the Group and the Company have only one category of financial liabilities being trade payables held at amortised cost. Those of the Group totalled £118,215 (2013: £59,512) and those of the Company totalled £38,728 (2013: £11,034).

Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Trade payables and accruals	**508,290**	298,441	**81,653**	57,141

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs all of which are payable within a year. The average credit period taken for trade purchases is 25 days (2013: 20 days). The Group has not incurred interest charges for late payment of invoices during the year (2013: £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 29.

22. Share capital

	2014	2013
	£	£
Issued and fully paid: 4,464,176,891 ordinary shares of 0.01 pence each (2013: 3,416,381,300 ordinary shares of 0.01 pence each)	**446,493**	341,638

On 19 August 2014 the Company completed a placing the result of which was 1,000,000,000 ordinary shares of 0.01 pence per share being issued at a price of 0.45 pence per share to raise £3.5M before expenses. The funds from the placings were raised to develop and execute on the Group's strategy.

During 2014, invoices for certain suppliers were settled by way of share issues. The number of shares issued for this purpose during 2014 was 44,417,888 (2013: 26,870,042)

During 2014, certain employees chose to receive shares in lieu of part of their salary. The number of shares issued for this purpose during 2014 was 3,377,777 (2013: nil)

No shares were issued as a result of the exercise of share options (2013: none).

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

23. Share premium account

	Group £	Company £
Balance at 1 January 2013	27,779,215	27,779,215
Premium arising on issue of equity shares	2,961,803	2,961,803
Expenses of issue of equity shares	(170,617)	(170,617)
Balance at 31 December 2013	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**

24. Own shares held

	Group £
Balance at 31 December 2012 and 31 December 2013	**(808,856)**

This is related to the shares issued to the Employee Benefit Trust.

25. Share option reserves

	Group £	Company £
Balance at 1 January 2013	776,190	776,190
Movement in the year	(399,500)	(399,500)
Balance at 31 December 2013	376,690	376,690
Movement in the year	145,872	145,872
Balance at 31 December 2014	**522,562**	**522,562**

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.

26. Retained earnings

	Group £	Company £
Balance at 1 January 2013	(25,067,359)	(26,646,543)
Net loss for the year	(2,992,195)	(2,783,174)
Balance at 31 December 2013	(28,059,554)	(29,429,717)
Net loss for the year	(2,853,963)	(2790,624)
Balance at 31 December 2013	**(30,913,517)**	**(32,220,341)**

Notes to the Financial Statements (continued)

27. Translation Reserve

	Group £
Balance at 1 January 2013	(214,817)
Exchange differences on translation of foreign operations	65,075
Balance at 1 January 2014	(149,742)
Exchange differences on translation of foreign operations	-
Balance at 31 December 2014	(149,742)

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

28. Notes to the consolidated cash flow statement

	2014 £	2013 £
Operating loss for the year:	**(3,260,063**	(3,266,757)
Adjustments for:		
Depreciation of property, plant and equipment	**9,171**	9,334
Share-based payment expense	**145,872**	(399,500)
Operating cash flows before movements in working capital	**(3,105,020)**	(3,656,923)
Decrease in inventories	**8,670**	441,041
Increase in receivables	**(97,255)**	(12,773)
Increase / (decrease) in payables	**209,849**	(10,669)
Cash reduced by operations	**(2,983,756)**	(3,239,324)
Income taxes received	**270,135**	273,343
Net cash outflow from operating activities	**(2,713,621)**	(3,001,981)

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.

29. Operating lease arrangements

The Group as a lessee

	2014 £	2013 £
Minimum lease payments under operating leases recognised as an expense in the year	**78,251**	86,177

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:

	2014 £	2013 £
Within one year	**41,308**	12,472

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.

29. Operating lease arrangements (continued)

The Company as a lessee

	2014	2013
	£	£
Minimum lease payments under operating leases recognised as an expense in the year	**66,725**	55,000

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:

	2014	2013
	£	£
Within one year	**36,990**	11,458

30. Shared-based payments

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.

	2014		2013	
	Number of share options	**Weighted average exercise price (in £)**	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	**335,607,088**	**0.006**	52,780,590	0.006
Granted during the period	**310,454,705**	**0.004**	298,496,568	0.003
Forfeited during the period	**(40,832,403)**	**0.003**	(15,670,070)	0.009
Oustanding at the end of the period	**605,229,390**	**0.004**	335,607,088	0.003
Exercisable at the end of the period	**83,279,016**	**0.004**	11,421,590	0.006

The options outstanding at 31 December 2014 had a weighted average exercise price of £0.004 and a weighted average remaining contractual life of 108 months. 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. In 2013, options were granted on 26 June and 19 December. The aggregate of the estimated fair values of those options is £279,286.

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

	2014	2013
Weighted average share price	**0.26p**	0.50p
Weighted average exercise price	**0.33p**	0.33p
Expected volatility	**77%**	82%
Expected life	**4 years**	4 years
Risk free rate	**0.49%**	0.49%
Expected dividend yield	**0%**	0%

Notes to the Financial Statements (continued)

30. Shared-based payments (continued)

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 / (credits) of £134,726 and (£48,872) related to equity-settled share-based payment transactions in 2014 and 2013 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:

	2014		2013	
	Number of warrants	**Weighted average exercise price (in £)**	Number of warrants	Weighted average exercise price (in £)
Outstanding at beginning of period	**12,981,750**	**0.004**	321,611,881	0.016
Granted during the period	**539,320,884**	**0.006**	94,444,444	0.006
Expired during the period	**-**	**-**	(302,495,426)	0.005
Exercised during the period	**-**	**-**	(100,579,149)	0.005
Outstanding at the end of the period	**552,302,635**	**0.006**	12,981,750	0.004
Exercisable at the end of the period	**552,302,635**	**0.006**	12,981,750	0.004

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.

The inputs into the Black Scholes model are as follows:

	2014	2013
Weighted average share price	**0.50p**	0.50p
Weighted average exercise price	**0.60p**	0.40p
Expected volatility	**77%**	82%
Expected life	**4 years**	4 years
Risk free rate	**0.49%**	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.

31. Related party transactions

Investment in subsidaries

	Company 2014 £	Company 2013 £
As at 1 January	**307,787**	356,659
Capital contribution / (decrease) in respect of share based payments	**134,726**	(48,872)
At at 31 December	**442,513**	307,787

Included in the figure of £442,513 above is an amount of £2,000 (2013: £2,000) relating to the investment held by Cyan Holdings plc in Cyan Technology Ltd. The remaining amount is a capital contribution amounting to £440,513 (2013: £305,787), 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 2014 of £134,726 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 £233,000 (2013: £98,500) in respect of executive director services.

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

Company

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

	2014 £	2013 £
Loans to related parties		
Cyan Technology Limited	**29,408,122**	26,579,091
Cyan Asia Limited	**-**	2,103
	29,408,122	26,581,194

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 2014 these amounted to £250,248 (2013: £378,234).

Notes to the Financial Statements (continued)

32. Post balance sheet event

Towards the end of 2014 a decision was made to incorporate a company in India, Cyan Technology India Private Limited. This company would be mainly to support and facilitate the manufacture and sale of Cyan's products in India. The incorporation of this company was completed in January 2015.

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